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LIBREVILLE MEMORANDUM ON TRADE AND DEVELOPMENT

(AFRICA AND UNCTAD VI)

26 February 1983

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LIBREVILLE MEMORANDUM ON TRADE AND DEVELOPMENT

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PART I

DECLARATION

DECLARATION

We, the African Ministers, meeting in Libreville to decide, in a spirit of unity and solidarity, our position on the issues before the sixth session of the United Nations Conference on Trade and Development to be held in Belgrade in June 1983, to be considered at the fifth Ministerial Meeting of the Group of 77 at Buenos Aires from 8 March to 9 April 1983:

Aware of the worsening of world economic crisis and its devastating consequences for African countries of the collapse in commodity prices, of the disorder in the international monetary and financial system, of the upsurge in protectionism and of the rising external debt from which the developing countries in particular are suffering,

Recognizing that such disequilibria, which are closely connected and structural in origin, have brought to many African countries a halt, or a reversal, to the development process, and in particular to the least developed among them,

Determined to strive for a restructuring of the world economy which requires a global and integrated approach to the problems, calling for the implementation of mutually compatible policies and more fundamental and innovative solutions in accordance with the Algiers Charter, with a view to establishing the New International Economic Order,

Desirous, to this end, of promoting and strengthening co-operation among developing countries in the spirit of the Arusha Programme of Action on Collective Self-Reliance and the Caracas Programme of Action on Economic co-operation among developing countries and action programmes of non-Aligned Countries;

Recalling the provisions of the Lagos Plan of Action concerning the development of intra-African co-operation and the strengthening of Africa's self-reliance,

Convinced of the need on the one hand to strengthen the solidarity and unity of action of African countries members of the Group of 77 in the face of the impasse in international economic negotiations and, on the other, to relaunch a genuine dialogue,

Reaffirming our faith in international co-operation and our dedication to solidarity, in the context of interdependence of nations, and their common interests,

Appeal urgently to the developed countries to join in the common effort to take up the challenges facing mankind,

Adopt, to this end, the Libreville Memorandum of which this Declaration forms an integral part.

P A R T II

POLICY ISSUES AND PROPOSALS ON ITEMS 8 TO 13 OF THE PROVISIONAL AGENDA FOR UNCTAD VI

THE WORLD ECONOMIC SITUATION WITH SPECIAL EMPHASIS ON DEVELOPMENT APPROACHES TO THE CURRENT WORLD ECONOMIC CRISIS AND PERPECTIVES FOR THE 1980s, INCLUDING ISSUES, POLICIES AND MEASURES RELEVANT TO THE ATTAINMENT OF A NEW INTERNATIONAL ECONOMIC ORDER (Agenda item 8)

1. The world economy is enmeshed in the deepest and most widespread crisis since the early 1930s. The crisis is global and its international repercussions are devastating to the economies of developing countries, in particular to the African countries, whose growth and development prospects have been gravely affected. The number of the countries classified as least developed in Africa increased from 21 in 1981 to 26 in 1982. Per capita income in nearly all developing countries in Africa has declined during recent years and is continuing to fall.

2. The crisis, which is essentially external in origin and beyond the control of developing countries, stems from the inherent deficiencies and malfunctioning in the world economic system which is unable to respond to the demands placed on it for sustained growth, and in particular to respond to the development needs of developing countries. Among the factors which have contributed to and further aggravated the crisis are inadequate transfer of resources, inflation monetary disorders emanating from developed countries, the policies and practices pursued by transnational corporations and the chronic technological imbalance between the developed and the developing countries as well as insufficient transfer of resources. The lending policies of international financial institutions, the disregard and inadequacies of the trading rules, growth in protectionism in the developed countries, deficiencies in the international commodity agreements and lack of effective action in the field of commodities, restrictions on the acquisition of technology appropriate to the development needs of the developing countries have compounded the situation.

3. The crisis is neither short term nor cyclical but stems from fundamental structural imbalances in the inter related areas of commodities, trade and money and finance. The crisis has serious consequences for the balance of payments of developing countries. The evolution of the external payments position of developing countries over the last decade has been shaped by a

series of major disturbances. These include sudden and large adverse falls in the prices of traded goods especially of primary commodities; the precipitous rise in interest rates further aggravating debt servicing burdens, fluctuating exchange rates and volatile movements in capital flows. The drastic decline in the purchasing power of their exports has been further aggravated by growing protectionism in their major markets, the developed countries.

4. As a result of the crisis, economic conditions in Africa and other developing countries have worsened and balance of payments and budgetary pressures have intensified. Governments are being forced to cut back further on imports of essential investment goods involving cancellation of development projects and to reduce government expenditures providing essential services in the areas of health, education, and other public sectors. The consequences for economic and social progress are not simply a year or two of retrenchment given the narrow margin at which much of the population of the developing world lives, such reversals seriously impair their fundamental well-being in ways which are not easily repaired in the immediate future.

5. On the basis of the current conditions in production and trade and level of demand, the world economy faces a period of prolonged stagnation. The whole system of international economic relations is verging on a collapse, with the result that the world economy may be thrown into a severe and prolonged depression. The consequences of such an occurrence for the developing world would be incalculable. For Africa, and in particular the least developed countries, this would imply a collapse in their development programmes and frustration of their aspirations for increased participation in world output and trade.

6. Whilst the international economic environment deteriorates further, transferring and imposing the burden of adjustment on the poorest countries in particular, the majority of which are in Africa, the international monetary and financial framework has failed to cushion the impact of the deteriorating external situation on the developing economies by not providing additional resources and payments finance needed for dynamic transformation of their economies. Likewise the structure of commodity markets has compounded the

adverse effects of a fall in demand through a deteriorating and, at present, an all-time low in commodity prices. Confidence in the trading system has collapsed as a result of restrictive import policies pursued by developed countries rendering adjustments more difficult and costly.

7. There are close inter-linkages between the various elements of the world economy, namely, commodity prices, international trade, money and finance, technology and development and, at the same time, close interdependence between the economies of different groups of countries. Any compartmentalized solution in individual sectors can be neither self-sustaining nor adequate. There has to be a consistent set of policy measures which are mutually supportive in each of these areas. In addition, current problems of developed countries cannot be resolved by ignoring the development requirements of developing countries. The role played by developing countries in international trade helped cushion the severity of the recession in the developed countries clearly indicating their importance as markets for manufacturing output of the developed countries and the dependence of these countries on a recovery in economic activity in developing countries. In addition to exporting products vital to the well-being of the world economy, they have also become a major force in international financial markets. As a result developing countries can no longer be regarded as on the periphery of the world economy. Indeed their importance as trade and financial partners in world development must be recognized and taken fully into account.

8. Thus, any idea that the developing countries should be satisfied with the trickle-down effect of recovery in the developed world is manifestly inappropriate. Similarly, any set of measures tackling the present crisis through short-term solutions would not be adequate. The situation calls for a coherent set of international policies that address short-term, conjunctural problems as well as longer-term problems of structure. A greater manifestation of political will by developed countries would accelerate the process of recovery and development.

9. The current economic crisis is assuming critical and alarming proportions. There is a need for launching a programme for world economic recovery and development. Such a programme should take into account the inter-dependent

character of the present international economic situation, in particular the close linkages between the problems in the areas of trade, money and finance, transfer of technology and development. Given the structural and pervasive character of the present crisis, it should be recognized that the development process and the accompanying requirements for structural changes, including the fundamental reform of the institutional framework governing international economic relations, have to be the central theme of a world economic recovery programme and development. Bretton Woods institutions are no longer responsive to the exigencies of world development in a manner consistent with the objectives of the New International Economic Order. The framework should be reviewed and fundamentally restructured to reflect more objectively current world economic and political realities.

10. To this end, the sixth session of the United Nations Conference on Trade and Development should decide on measures for launching a programme for world economic recovery and sustained growth and development comprising, on the one hand, emergency measures to remedy the immediate situation, especially, in African countries and the least developed countries, and on the other, medium and long term measures for structural reform of the world economy.

11. The Conference should decide to convene bi-annually at the Ministerial level the Trade and Development Board:

(a) to review and hold consultations on the world economic situation,

(b) in this context, to pay particular attention to the impact, on trade and development of developing countries, especially the least developed among them, of the principles, policies and practices in the inter-related areas of international trade, money and finance and development, and

(c) to make proposals to ensure management of the world economy and that the principles and policies applied are effective and consistent with the requirements of growth, employment and development objectives of the world economy, in particular those of developing countries.

12. A world economic conference should also be convened, with the participation of governments, international, intergovernmental and non-governmental organisations, world trade union organisations and transnational corporations.

13. The essential elements for world recovery and sustained growth and development are set out in greater detail in the following sections of the Libreville Memorandum.

COMMODITY ISSUES. REVIEW OF THE SITUATION IN THE AREA OF COMMODITY TRADE (Agenda item 9)

The implementation of the Integrated Programme for Commodities in the area of : (a) stabilizing and strengthening commodity markets; (b) marketing, processing and distribution including transportation; and (c) compensatory financing of shortfalls in export earnings; with a view to the adoption of policies to promote commodity trade and development.

I. Review of the situation in the area of commodity trade

14. A striking feature of the deepening world economic recession has been the collapse in commodity prices since the end of 1980. Commodity prices in real terms are at their lowest levels for half a century. Commodity prices declined in real terms by 13 per cent in 1981 and by a further 17 per cent in the first three quarters of 1982. The main reason for this commodity crisis is that demand for these commodities by developed countries has stagnated or even decreased. This decrease was in turn due to the stagnation or even decline in the level of the real output of developed countries, coupled with the decline in inventories caused by the exceptionally high interest rates, the continuing displacement of natural by synthetic materials, and the rising self-sufficiency ratios in developed countries due to the increase in subsidized local production of agricultural commodities.

15. Since many developing countries and in particular the African countries, continue to rely heavily on their commodity exports for foreign exchange earnings (in 1981, primary commodity export earnings - excluding petroleum - accounted for more than 50 per cent of total exports for 74 developing countries among which 38 African countries), the result of these price declines therefore have been a substantial erosion of the purchasing power of their export earnings. The repercussions of this substantial erosion of the purchasing power of commodity export earnings on the prospects of economic development of developing countries are therefore very serious. Moreover, forecasts indicate that demand for primary commodities exported by developing countries would stagnate or even decline during the rest of the decade.

II. Implementation of the IPC

16. The commodity sector in the 1970s was at the centre of the agenda on international economic relations. This question engaged the attention of UNCTAD IV at Nairobi when resolution 93(IV), which enshrined the Integrated Programme for commodities, was adopted in May 1976. Three years later in Manila, once again resolutions were adopted i.e. 124(V) which elaborated on some of the proposals made in the Nairobi resolution, in particular, those relating to establishing a framework on international cooperation with respect to processing, marketing transportation and distribution, and also on the need for establishing a complementary financing facility.

17. Though there have been many resolutions in the area of commodities, progress in implementation has been very slow. The search for a supportive system to deal with and regulate commodity trade never really culminated in concrete results. There seems to be little doubt that if the network of commodity arrangements envisaged in resolution 93(IV) had been in place to redress the negative impact of unregulated market forces, the present situation may not have been as critical as it now is. Commodity markets remain largely vulnerable to the effects of sudden shifts in demand and supply which cause disproportionately large fluctuations in prices.

(a) Stabilizing and strengthening commodity markets

18. Since 1976, the question of stabilizing and strengthening commodity markets has been approached through the action to negotiate and put into operation the Common Fund for Commodities, and to set up international commodity agreements (ICAs) with negotiated price ranges. The successful conclusion on 27 June 1980 of the negotiations for establishing the Common Fund for Commodities was a positive step in international efforts to implement the IPC. Progress of the preparatory work for bringing the Common Fund into operation has been, however, delayed both by the slow rate of progress of ratification of the Agreement, and by attempts of some developed countries to interpret too restrictively the Agreement.

19. On 1 February 1983, 92 countries (accounting for 74 per cent of the capital) had signed the Agreement, but only 41 countries (accounting for 32 per cent of the capital) had ratified it, while ratification by at least 90 countries representing at least two-thirds of the capital is required for entry into force of the Agreement. All developed market economy countries members of Group B have signed the Agreement (with the exception of Iceland), and almost half of them (10) have already ratified it. China has already signed and ratified the Agreement. None of the socialist countries of Eastern Europe has even signed the Agreement. Within the Group of 77, only 68 countries, i.e. about half of the members have signed the Agreement, of which only 30, i.e. one out of four countries, have ratified it. More than half of these developing countries are African countries. Thirty seven African countries had indeed signed the Agreement and 18 among them had ratified it. It is of concern to note the limited number of countries of other regions of the Group of 77 which have ratified the Agreement. Of particular concern is the fact that most of those countries among the Group of 77 which have no financial constraint in paying their subscriptions to the capital of the Fund have not yet ratified the Agreement.

20. Some developed countries have delayed the progress of work, both within the preparatory Commission for bringing the Fund into operation and at preparatory meetings held under UNCTAD auspices within the framework of the IPC, by repeated attempts to narrow down the scope of the Agreement establishing

the Common Fund for Commodities. Thus, they wanted to exclude national projects and investments from financing through the Second Account, although the Common Fund Agreement provides that individual member countries could be recipients of grants or loans from the Fund through its Second Account, and that it does not limit to preinvestment the financing role of the Fund.

21. The delay in entry into force of the Fund has two negative consequences: on the one hand, the financial resources already committed to the Fund remain immobilized; and, on the other hand, the relatively small number of ratifications by developing countries would weaken their bargaining power in any forthcoming international negotiation in the field of commodities, and particularly at UNCTAD VI.

22. Although it had been possible to renegotiate all the ICAs which existed before 1976 with the exception of the International Wheat Agreement, and to negotiate additional ICAs for natural rubber and jute, the effectiveness of the renegotiated and the new ICAs is being significantly reduced by several shortcomings:

(i) It was not possible to negotiate even one new multi-dimensional commodity agreement which would contain provisions both on price stabilization and developmental measures.

(ii) Some ICAs with price provisions are based on less effective measures for price stabilization than the previous ICAs, e.g. reliance on buffer stocking only, as against a mechanism of export quotas supplemented by buffer stocking as in previous agreements.

(iii) Some ICAs with price provisions include a negative novel provision: a mechanism for semi-automatic downward adjustments of the agreed price levels.

(iv) In some cases, major producing and/or consuming countries have decided not to join the new ICAs, although they have participated in the renegotiations, and they sometimes take action detrimental to the effective functioning of the agreements, e.g., sales of tin from United States stockpiles and subsidized exports of sugar by the EEC.

23. Beside the two new ICAs negotiated for natural rubber and jute, prospects for successfully concluding negotiations of new ICAs in the near future exist only for two other commodities: tea (ICA with price provisions) and tropical timber (ICA based on long-term developmental measures only). For three other commodities, work has already been completed or is about to be completed in the near future with limited results in few specific areas such as research and development (groundnuts and coconuts and their products, meat; and bananas). Work is very slowly in progress with expectations of no significant results in the immediate future for four other commodities: manganese, bauxite, iron ore and tungsten. Discussions for the establishment of new ICAs have reached a deadlock for three major commodities (copper, cotton and hard fibres) due to the negative position adopted by major developed countries. Finally, regarding phosphates, the two Preparatory Meetings which were held did not reach any concrete result.

24. Some developed countries have also been reluctant to enter into meaningful discussions and negotiations for other commodities, of particular export interest to developing countries, not included in the indicative list of resolution 93(IV). They continued also to oppose the inclusion of certain processed products within the purview of the international measures under discussion or negotiation.

25. The reluctance of certain major developed countries to negotiate ICAs with effective international measures to regulate markets and stabilize prices for commodities exported by developing countries contrasts with their domestic agricultural policies aiming at stabilizing prices and incomes for their farmers, even at the expense of distorting world markets for developing countries, as well as with their recent policies of establishing or expanding economic stockpiles of major mineral commodites essentially imported from developing countries. Disposals of materials due to changing stockpile objectives can be extremely disrupting. The potential for disruption could increase further if the number and size of national stockpiles continue to grow. Discussions on national stockpiles have been initiated in the OECD and are carried out in the absence of developing countires. Bearing in mind the possible disruptive effects of national stockpile operations and the

desirability of having the view of exporting countries reflected in any discussions, and given the apparent interest national stockpile proposals have generated in several countries, it seems that worthwhile action could be taken within UNCTAD with a view to counteracting any detrimental effects arising from the establishment or existence of national stockpiles.

26. The Buenos Aires Conference might consider adopting the following proposals:

(1) Common Fund

- To strongly urge all developing countries which have not yet done so, to sign and ratify the Agreement establishing the Common Fund for Commodities without any further delay, and where possible not later than 31 May 1983, i.e. before UNCTAD VI.

- To strongly urge those among the 35 least developed and other developing countries, for which the States members of OPEC have offered to pay the full capital subscriptions, which have not yet ratified the Agreement to do so without further delay.

- To particularly urge those developing countries major world exporters of commodities, which have not yet ratified the Agreement to complete without any further delay the required procedures in this regard.

- Urge those among the developed market economy countries and the Socialist Countries of Eastern Europe which have not yet ratified the Agreement to give a firm commitment at UNCTAD VI to do so without further delay.

- To request that a target date of 1 January 1984 should be set for the commencement of the operations of the Fund. In this connexion, the deadline for signature and ratification of the Agreement which has already been extended by eighteen months up to 30 September 1983 should be extended for a second time up to, but not later than, 31 December 1983.

- Pending the commencement of operations of the Common Fund, to request that interim resources be made available, as grants through UNDP and other multilateral or bilateral channels, for the financing of the elaboration of the summary project proposals included in the programmes or other measures which have been already approved by inter-governmental meetings under the IPC for submission to the Second Account of the Fund (in particular on groundnuts and products; coconuts and products; tropical timber; meat; bananas and hard fibres).

- To explore ways and means to provide the three newly designated least developed countries and other developing countries in similar circumstances, which do not figure on the list of the 35 developing countries beneficiaries of the CFTC offer, with the necessary financial resources for the payment of their full capital subscriptions to the Fund.

- To urge both developed and developing countries which have not yet announced specific pledges of contributions to the Second Account of the Fund to do so at the earliest possible opportunity with a view to meeting the target agreed for voluntary contributions.

- To reaffirm that financing of national projects and investments through the Second Account of the Common Fund should be an important feature of ICAs and ICBs in accordance with Article 18.3 (c) of the Agreement establishing the Common Fund for Commodities.

(2) Commodity negotiations

- To urge that governments reaffirm their commitments in adopting resolution 93(IV) on the integrated programme for commodities, and in particular to reiterate their firm commitment to all the objectives and all the measures of the IPC in favour of all commodities of export interest to the developing countries, including those contained in the indicative list of resolution 93(IV) and other commodities (such as hides and skins and leather, sesame and sorghum) which may be proposed by the developing countries for international action.

- To request the convening without further delay of negotiating conferences for cotton, copper, hard fibres and other commodities for which sufficient preparatory work has been undertaken, with a view to the early conclusion of international multilateral agreements for these commodities, including both price provisions and long-term developmental measures.

- To urge all countries to participate, whether as producers or as consumers, in all negotiations on individual commodities keeping in mind the overall balance of benefits they are likely to derive from the IPC as a whole.

- To urge developing countries to strengthen their mutual co-operation in the field of commodities with a view to evolving common proposals for international action. At the same time, steps should be taken to expand demand in potentially dynamic markets, which lie in the developing countries themselves. Special measures, such as special trading regimes and trade promotion programmes, should be adopted to increase growth in demand in developing countries beyond what would take place in response to market forces.

- To request the application of effective supply regulation measures within the framework of existing ICAs or within the framework of ad hoc interim international arrangements for other commodities not covered by ICAs, pending the completion of the negotiation of formal agreements for them, with a view to stabilizing the prices of commodities exported by developing countries at remunerative levels. To that end, the Common Fund should mobilize financing to meet the requirements of these interim arrangements.

- To request that arrangements be made for an intergovernmental review in UNCTAD, at a high political level, and in close co-operation with the relevant commodity councils, of the working of the existing international commodity agreements, with a view to identifying possible guidelines aimed at strengthening the effectiveness of commodity agreements.

- To urge governments members of existing ICAs (in particular, cocoa, coffee, sugar and olive oil) in accordance with the appropriate procedure established by these ICAs, to take the necessary steps to include other IPC measures which may be relevant to such commodities with a view to using the financial resources available through the Second Account of the Common Fund as well as other sources of international, regional or bilateral financing.

- To request that additional resources be made available as grants through UNDP and other multilateral or bilateral channels, for the financing of activities (such as meetings among producing countries) aiming at co-ordinating and harmonizing the positions of producing countries in all international negotiations on commodities, activities which constitute an integral part of the IPC negotiations.

- To request the drawing-up, on the basis of Decision 4(V) adopted by the Committee on Commodities on 17 July 1979, and the adoption of a set of more detailed and concrete guidelines or a code of conduct for national stockpile operations, including the establishment of appropriate arrangements within UNCTAD for international surveillance of such operations.

- To urge all Governments to resume immediately the negotiations within the "United Nations Conference to Negotiate an International Arrangement to replace the International Wheat Agreement, 1971, as extended" in order to conclude as soon as possible but not later than 30 June 1984 a new International Wheat Agreement containing substantial economic provisions (as proposed during the negotiating Conference in 1976-1979) to ensure the stability of world markets and prices and to contribute to improvement of the world food security, also with special provisions to enable developing countries as exporters and importers to participate fully and on an equitable basis in the Agreement.

(b) Processing, marketing, transportation and distribution

27. Progress has been also very slow with regard to the implementation of other elements of the IPC on which more detailed proposals were agreed in Manila resolution 124(V), namely: the establishment of frameworks for international co-operation in the fields of local processing and marketing and distribution of commodities exported by developing countries.

28. A number of studies on the processing and/or marketing of individual commodities have been prepared by the UNCTAD secretariat and have been submitted to the Permanent Sub-Committee on Commodities for discussion. Studies are at present available on most of the major commodities of export interest to developing countries (cocoa, bananas, tobacco, cotton, hides and skins, bauxite, coffee, copper, hard fibres, jute, manganese, phosphates, sugar and tea) which provide an adequate basis for moving to the stage of preparation and negotiation of the draft frameworks for co-operation in the fields of processing, marketing and distribution.

29. The Bamako Africa Conference might consider adopting the following proposals:

- Request to move to the negotiating stage for those elements of the frameworks of international co-operation in the fields of processing and marketing, transportation and distribution for which negotiable proposals have been identified; and, particularly the following:

(1) Processing

(i) specific commitments for the facilitation of redeployment of productive capacities: specific targets for the composition of commodity imports in terms of minimum shares of processed form; international arrangements for reducing on a collective basis the cost of acquisition by developing countries of technology for local processing.

(ii) liberalization of access to markets: elimination of all remaining customs duties and internal taxes levied on commodities imported from developing countries as well as of all other prohibitions and restrictions in particular immediate elimination of all forms of tariff-escalation affecting exports of semi-processed and processed commodities from developing countries; the setting of a time-table for the phasing out of internal and bilateral "voluntary" export restraints, orderly marketing and similar agreements restricting imports of processed commodities from developing countries; and substantial improvement of the GSP.

(iii) Adequate technical and financial resources for expanding primary commodity processing in developing countries. More specifically: (a) the capital base of international financial institutions should be strengthened; (b) establishment of a special financing facility for the processing of natural resources, particularly minerals and metals which might be difficult to accommodate within the structure of existing international financial institutions; (c) increased financing opportunities for the poorer and the relatively small developing countries which are rich in natural resources but lack the capacity to prepare feasible projects and mobilize private capital on their own initiative.

(2) Marketing, transportation and distribution

(i) Improvement in market transparency through the adoption of practical and administrative modalities for collection and dissemination of information on a non-discriminatory basis, including in particular access by developing countries to transborder data flows.

(ii) Increased technical and financial support for the development of national marketing and distribution systems of developing countries, including the establishment and strengthening of commodity exchanges in developing countries.

(iii) Arrangements should be made for the development of model or guideline contract clauses for the sale and purchase of commodities of export interest to developing countries, including a system for evaluation of the use of commodity contracts in international trade.

(iv) Agreement on adequate provisions to ensure the participation of interested exporting developing countries in the management of terminal markets dealing with their export commodities, with a view in particular to control speculative activities on these markets and to ensure that the regulations governing these markets are not unilaterally modified against the fundamental interests of developing exporting countries.

(v) Greater participation by developing countries in the maritime transportation of their raw, semi-processed and processed commodities, including in particular availability of adequate finance in this regard.

- To urge that all the above commitments should be negotiated and implemented wherever appropriate simultaneously within the framework of individual commodity negotiations and within global negotiations.

(c) Compensatory financing of shortfalls in export earnings

30. Action on compensatory financing is complementary to price stabilization, in so far as it takes care of those commodities for which buffer stocking was not appropriate, and deals with earnings fluctuations originating from quota variations as opposed to price variations. This question has frequently been discussed within UNCTAD since the first Conference in 1964, and more particularly at UNCTAD IV in 1976, and in even greater detail at UNCTAD V in 1979, where

Conference resolution 1 5(V) called for a detailed study by UNCTAD of a complementary facility which would be additional to the improvement of the Compensatory Financing Facility of the IMF. The Development Committee of the IBRD/IMF had in fact agreed in September 1979 to review the subject of export earnings stabilization in the light of inter alia, the further study by the UNCTAD secretariat, and had decided in September 1980 to pursue the matter of the export earnings stabilization programme on the basis of that study. This issue was also extensively discussed at the Committee on Commodities. Since that time, it has become apparent that the magnitude of the problem has assumed crisis proportions with the shortfalls in commodity export earnings of developing countries for the two years 1981 and 198 .

31. The Buenos Aires Conference might consider adopting the following proposals:

- To request the adoption at UNCTAD VI of a decision to immediately commence negotiations for the establishment of a complementary facility for commodity-related shortfalls in export earnings, including agreement on an appropriate intergovernmental machinery for the negotiation of the proposed complementary facility.

- Pending the completion of the above negotiation, to request for immediate relief through:

  (i) a substantial enlargement and liberalization of the IMF Compensatory Financing Facility aiming at putting at the disposal of developing countries financing in an adequate scale and subject to lower conditionality to effectively meet their needs.

  (ii) Special arrangements for the least developed countries within the Compensatory Financing Facility, including, full coverage of their shortfalls, subsidization of their interest charges, lower conditionality and a longer repayment period.

  (iii) A proportionate effort by the Socialist Countries of Eastern Europe through a special facility within the International Investment Bank or the International Bank for Economic Co-operation to support shortfalls in earnings of developing countries from commodity exports to these countries.

ISSUES IN THE AREA OF INTERNATIONAL TRADE IN GOODS AND SERVICES (Agenda item 10)

32. The present economic crisis is affecting the trade of all groups of countries and is especially damaging to the trade of developing countries. This has in part resulted from the inadequate framework for the conduct of world trade as reflected in the crisis of confidence in the existing system governing world trade relations.

33. The inability of the trading system to cope with the crisis confronting it, was recognized by the Second Extraordinary Assembly of OAU Heads of State and Government of the Lagos Plan of Action for the economic development of Africa up to the year 2000. The Plan, in particular, calls for measures to be taken "to set up a new trading framework at the international level including agreement on new trading rules and principles covering, inter alia, structural adjustment, preferential treatment for developing countries and elimination of protectionist measures aimed at hampering access of manufactures and semi-manufactures from developing countries to markets of developed countries...".

34. Effective policy measures should be taken to foster structural change in developing countries, particularly in African countries where the level of industrialization is still very low. This should be done in the context of a dynamic international division of labour, with a view inter alia to achieving the target of 25 per cent of world industrial production set in the Lima target and of increasing developing countries' share in trade in industrial, processed and semi-processed products. Realization of these goals is even more necessary given the inter-linkage between trade and over-coming the balance of payments problems including debt of developing countries. Such policy measures should also embrace an effective transfer of technology and of real resources for development to developing countries as well as increased participation by them in the marketing and transport of their exports.

35. The disappointing outcome of the GATT Ministerial Session was a result of the failure to take into account the legitimate interest of developing countries. This was in part attributable to the exclusion of effective participation of African developing countries in the proceedings.

36. Taking into account considerations of national sovereignty, security, cultural, financial and economic independence, and conforming to the position taken in the Ministerial decision of the Group of 77 on 8 October 1982, in New York, it is reaffirmed that the competences of GATT should not be extended to the field of services nor should there be any increase in its competences in other areas than those contained in General Agreement on Tariffs and Trade.

I. Immediate improvement in the trade opportunities of developing countries

37. No protectionist action should be taken against developing countries.

38. With a view to fulfilment of the above principle,developed countries should:

(a) establish positive adjustment assistance programmes designed to facilitate the shift of productive resources from uncompetitive lines of production to other lines of production or sectors;

(b) review existing legislation, regulations and administrative procedures to remove those features which lead to harassment in trade or coercion of weaker trading partners;

(c) ensure the gradual reduction and eventual elimination of subsidies directed to uneconomic sectors or industries in their countries.

39. In order to ensure an equitable international division of labour, action should be taken to provide increased opportunities for production and trade of developing countries in areas where they possess an existing or potential comparative advantage including through international sub-contracting arrangements.

II. Work programme in the area of protectionism and structural adjustment

40. To assist in the fulfilment of the above principles and objectives, the Conference should draw up and monitor a work programme aimed at elimination of all measures adversely affecting products originating in or exported by developing countries. To this end, the Board should:

(a) examine protective actions likely to adversely affect the trade of developing countries and set a time-frame for their dismantlement and for the implementation of adjustment assistance measures, including compensation to the country or countries affected;

(b) act as a forum for co-operation in policies relating to production and trade and, in this context, devise principles governing adjustment assistance in particular to developing countries, through the establishment of a special facility for adjustment assistance;

(c) elaborate internationally agreed policy measures with respect to production, employment, consumption and trade in agriculture, in order to enhance the export interests of developing countries;

(d) give priority attention to sectors in which protective measures have been applied repeatedly or for a long period of time;

(e) institute action for improvement of the GSP, in particular in terms of its coverage, and mode of operation by according priority to the products of the least developed countries, in particular processed and semi-processed products, and the Conference should invite the UNDP to extend beyond 1983 the UNCTAD/UNDP technical assistance project;

(f) devise appropriate means to eliminate or rebate internal taxes levied in developed countries on products imported from developing countries, in particular the least developed among them;

(g) ensure that the provisions of the set of Multilaterally Agreed Equitable principles and Rules for the Control of Restrictive Business Practices are vigorously implemented including those related to the institution of technical assistance advisory and training programmes, and instruct the Intergovernmental Group of Experts on Restrictive Business Practices to make recommendations in respect of possible improvements to the Set in order that it may achieve the objectives established;

(h) formulate policies to assist in the diversification of the export base of developing countries by facilitating the strengthening of the financial, commercial and other infra-structure of developing countries with a view to promoting their exports of processed and semi-processed products;

(i) provide direct and indirect support, in conjunction with other competent international organizations to assist developing countries in all aspects of their export and in particular in the up-stream and down-stream of their marketing activities and programmes;

(j) devise appropriate means to provide guarantees concerning the quality and performance of imported capital goods and technology by developing countries;

(k) take action to assist developing countries in establishing export finance and insurance facilities for their exports;

(l) request the UNCTAD and UNIDO secretariats in co-operation with other competent international organizations to elaborate a coherent plan of action on industrial co-operation arrangements between developed countries and developing countries to enable the redeployment of industries to developing countries in sectors where they possess a comparative advantage and thereby to accelerate restructuring in developed countries in accordance with resolution 131(V);

(m) request the UNCTAD secretariat, in co-operation with other competent international organizations, notably UNIDO, FAO and WFC, to undertake an in-depth study in agro-industrial products and the consequences of concentration of economic power in that sector on the trade and development of developing countries and propose measures necessary to strengthen the participation of these countries, in production and trade in agro-industrial products.

III. Principles, policies and practices in international trade

(1) Services

41. In order to facilitate increased involvement of developing countries in services, the Board should before the end of 1984:

(a) identify and establish priorities concerning services activities of particular importance to developing countries as importers and exporters, and devise programmes to strengthen the services capabilities of developing countries;

(b) study in-depth services industries such as data transmission and storage services, engineering and consulting services and the cinemagraphic industry, which do not fall within the competence of existing international organizations;

(c) devise measures to enhance the opportunities of developing countries to export services in particular through the provision of special and differential treatment;

(d) request the UNCTAD secretariat to collect and disseminate on a systematic basis information on services;

(e) institute technical assistance programmes for developing countries in the area of services including marketing mix-elements and export-oriented processes; and

(f) provide support to the work of other international organizations in the area of services, such as WIPO, CTNC, IMO and ICAO,

(2) International trade relations

42. With a view to establishing an equitable international trading system permitting increased participation of developing countries in world trade, the Board should inter alia:

(a) undertake a review of the rules, principles, policies and practices applied in international trade relations and formulate principles and policies for improvements in the conduct of such relations, including proposals as to their implementation leading to the emergence of a more universal system;

(b) in the above regard, define norms and criteria to govern the conduct of negotiations in the area of trade, especially to ensure that the interests of developing countries as importers and exporters of goods and services can be adequately reflected and taken into account.

FINANCIAL AND MONETARY ISSUES: DEVELOPMENT IN MONETARY AND FINANCIAL QUESTIONS IN RELATION TO TRADE AND DEVELOPMENT, IN PARTICULAR OF THE DEVELOPING COUNTRIES; POLICIES TO PROMOTE THE EXPANSION OF ALL FLOWS OF PUBLIC AND PRIVATE RESOURCES AND IN PARTICULAR TO INCREASE THE NET FLOW AND IMPROVE THE CONDITIONS OF THE TRANSFER OF RESOURCES TO DEVELOPING COUNTRIES AND TO FACILITATE BALANCE OF PAYMENTS ADJUSTMENTS (Agenda item 11)

I. The crisis in development and in the world economy

43. The developing world is in the throes of a crisis that is as widespread in its incidence as it is profound in its impact. Economic expansion has ground to a halt, with the growth of output falling below that of population. The prospect for 1983 is for a further drop. Falling per capita incomes have been accompanied by a steep rise in the rate of unemployment of manpower and machinery (unemployment and underemployment in developing countries exceed 500 million) as well as by major shifts in the distribution of income among occupational groups. Many developing countries find themselves in a desperate situation. The immediate crisis is threatening to undo much of the progress that has been achieved in the past, and moreover, to halt further advance for a number of years to come. On present trends, the internationally agreed objectives regarding the development of the developing countries contained in the International Development Strategy and the establishment of the New International Economic Order stand no chance of being met. The gravity of the crisis is such that it transcends questions of economics and international economic relations: in many developing countries the crisis has affected social relations, and is swelling political tensions of an international as well as national character.

44. The acute crisis which has been triggered by the policies pursued by the developed countries has made commodity prices as a whole collapse: in real terms these now stand at their lowest level for a generation. Commodity exporters are known to have lost some $20 billion over the period 1981-1982. Since some of the major developed economies have chosen to combat inflation primarily through monetary policy, interest rates have escalated to unprecedented heights. The rise in interest rates from 1978 to 1981 has added some $14-50 billion to the payments of developing countries. Interest rates have fallen in the past

year, but with the decline in inflation they are still extremely high in real terms. The volume of exports from developing countries, both oil and non-oil, has also been adversely affected by the slow-down in demand, and by the escalation and proliferation of protectionist barriers of various kinds.

45. The consequent worsening of the external environment, following several years of turmoil in the world economy, has put extremely heavy pressure on the external payments position of developing countries. The current-account deficit of developing countries jumped to $90 billion in 1982. The external constraint is much tighter than indicated by the current-account figures. For one thing, part of the deterioration in the external accounts has been only partially met by cut-backs in imports and therefore by drops in investment and output. For another, many developing countries have been under intense pressure on capital account: on the one hand, repayments of capital borrowed in the past have been rising sharply; on the other hand, the level of new lending has been falling steeply. The resulting shortage of liquidity has caused debt service to become a crushing burden for many developing countries and particularly the least developed among them and arrears and reschedulings have increased significantly. Developing countries are currently suffering from attempts by private financial institutions, transnational banks in particular, to reduce their exposure: coming at a time when the need for financing has increased, this decline in access to capital markets is not only extremely disruptive, but undermines the development process in developing countries.

II. The development crisis and the international monetary and financial system

46. Among the function of the international monetary and financial systems is that it should serve to buffer the impact of a worsened external environment on the economies of developing countries and to provide an economic framework for international adjustment that is both supportive of long run development and equitable in its distribution of short term adjustment burdens. However, the existing unreformed framework of international monetary and financial relations has proved detrimental to these objectives. The policies of the major developed economies are formulated without due regard to the impact that such policies have in the international economy and more particularly the vunerable economeis of the developing countries. Moreover, the behaviour of the private component of the

system is actually aggravating the financing difficulties of developing countries. The official component, on the other hand, has so far proved too inflexible to respond adequately to the needs of developing countries.

47. The developed countries, particularly those yielding great weight in the international monetary and financial institutions still overlook the difficulties facing developing countries in implementing adjustment measures on their own to deal with the massive, externally induced deficits which make them suffer enormous and wasteful losses in production and growth. The international organizations concerned, in particular the International Monetary Fund, continue to prescribe remedies which while having some applicability in relation to deficits originating principally from excess demand, are inappropriate in the current context of deficits that are in the main of external origin and require structural adjustment. Too little payments support has been made available, and the harsh terms and conditions of such support have been out of line with realities. As a result, the asymmetry of the balance-of-payments adjustment process, which puts the burden of adjustment on deficit countries rather than distributing it equitably between deficit and surplus countries has continued in full force, obliging the developing countries to "adjust" at a pace and in a manner that have devastated their growth and development.

III. The origin of deficits and the adjustment process and financing needs

48. Part of the present payments deficit of developing countries is the direct consequence of the cyclical downturn in the developed market economy countries. A significant part also reflects long-run structural factors (largely resistance to structural adjustment in the developed economies) which have not given-rise at the global level to an appropriate set of policies. The short-term policies pursued have been aimed at demand retrenchment (though budget deficits in the developed countries have risen), and excessive reliance placed on monetary policies, which has raised interest rates to unprecedented level. Considerations of both equity and efficiency demand that the cyclically induced deficits be corrected by means of an upward adjustment in the level of activity in developed countries and a lowering of interest rates to more normal levels, rather than by means of the downward adjustment of output and growth in the deficit countries that is currently under way. A global approach to economic recovery is required.

It consists in part of appropriate policy changes in the developed countries, including measures designed to reduce interest rates, and co-operative action to create sufficient international liquidity to stimulate output and growth in developed and developing countries. Without such a world economic recovery programme, developing countries have no chance of correcting their payments deficits and continuing to meet their debt service obligations without enormous and wasteful losses. At the same time, recovery by itself will not ensure the development of developing countries without fundamental changes in the structure of international economic relations.

49. Pending recovery (which has thus far proved elusive), it is essential that sufficient finance on suitable terms and conditions be made available to developing countries so that they can avoid making unnecessary and ruinous "adjustments". It is, after all, an accepted principle of international monetary relations (and one explicitly acknowledged in the form of the IMF's Compensatory Financing Facility) that deficits not caused by domestic policies and eventually reversible should be dealt with through financing rather than by cuts in imports. Nevertheless, those having the power of decision over the international monetary system have refused to implement this principle in the course of the present crisis. On the contrary, they have shifted the emphasis onto "adjustment" by the deficit countries, and have blamed the policies of developing countries for payments deficits that are in reality the direct consequence of the actions of the developed countries.

50. It is accepted that part of the deficit registered by developing countries represents a once-and-for-all increase in the cost of imports relative to the price of exports and will therefore not be automatically corrected in an upturn in the world economy. But here again, deflationary adjustment is not an efficient way to bring about required changes in productive structures. Correcting the structural deficit represented by higher import costs requires reduction in the need for imports (particularly those that add little to productive capacity) and an increase in export capacity (particularly non-traditional exports) in deficit countries. The recomposition of capital stock and output thus sought cannot be achieved by general deflation; it must come rather through investment and growth.

51. Structural adjustment inevitably requires considerable resources in developing countries, but more so in developing countries. It therefore needs to be supported by payments finance to developing countries (pending the completion of the adjustment) and external capital (to finance the structural change). In the present situation, adjustment and financing are complements, not substitutes for without adequate external support "adjustment" inevitably takes place at the expense instead of through development. That indeed is what is happening currently: structural adjustment is being severely impeded by the stagnation of concessional resource transfers, the drying-up of private flows, and the paucity of payments finance. The absence of coherent and properly functioning international monetary and financial systems is now clear for all to see.

52. The lack of a global approach adds additional problems since the adjustment process inevitably involves global changes. The point bears emphasis that structural adjustment being mutually reinforcing, a shift in the output mix in one country must be accompanied by shifts in demand our supply conditions elsewhere - developing countries' adjustment prospects depend critically on the policies of developed countries. If current recessionary conditions continue and if protectionist barriers persist (or strengthen), the developing countries will be deprived of the opportunity to export the additional production ensuing structural adjustment. It is therefore particularly important for developed countries to take measures to reduce the rigidities that impede structural adjustment in their economies instead of propping up uncompetititive sectors.

53. Interest rates are another important factor in the worsening financial situation of developing countries. High rates of interest will make the investment required more difficult and costly. Structural adjustments in developing countries will depend on a lowering of interest rates, the abolition of protectionism and economic recovery.

54. The critical payments deficits of developing countries demand a swift and sizeable increase in financing availabilities of various kinds, ranging from payments financing of the familiar variety to longer term programme assistance to make structural adjustment positive and feasible, and particularly with a view to increasing exports of developing countries. It is to be stressed that these increased financing needs come on top of the long-term external resources

gap of the developing countries which has in itself been enlarged: the external resource gap for meeting the 7 per cent average target rate of growth of the International Development Strategy for the Third United Nations Development Decade is now much greater than originally estimated. For that reason, merely diverting normal (and themselves insufficient) long-term capital flows into payments and adjustment financing does not provide an acceptable solution: additionality is essential. Nor is it satisfactory to seek relief by acquiring short-term credits: these will merely aggravate the underlying and interrelated problems of debts and deficits. The situation calls, rather, for a large increase in financial flows of various types, with special emphasis on the element that has been conspicuous by its insignificance in the past, namely longer-term finance that can be used to pay for the imports of raw materials and capital goods required to sustain investment programmes. An acceleration of ODA flows and of programme assistance must therefore accompany an increase in balance-of payment financing.

55. The conditionality of external assistance is no less a burning issue than the quantum of assistance. It is essential to avoid policy conditions on balance of payments and development financing that militate against the maintenance of employment and growth: it is increased production, not reduced demand, that will equip developing countries to reduce their need for external financing and restore their capacity to borrow and repay without interruption.

IV. "Interdependence" and the mutual interest

56. Balance-of-payments support to developing countries, even in large volumes and on less stringent terms and conditions that has been the norm, would be in the interest of both developed as well as developing countries. One manifestation of "interdependence" is in the significant contribution made by the import demand of developing countries in sustaining output and employment in the developed economies. In 1975, developing countries took almost a quarter of the total exports of the developed market-economy countries. In 1974-1975, for example, the trade deficit of developing countries provided a stimulus to the GDP of OECD countries at an annual rate of $12-13 billion. In 1981 movements of export volume added little or nothing to incomes in OECD countries, and for 1982 the forecast is that the export sector will contribute to a decline in output. It is thus

especially important at the present time to sustain import demand in developing countries by providing adequate financing, while ensuring open markets to absorb their expanding export volumes. A lowering of interest rates will help, by reducing the drain on the foreign exchange availability; but much more than that is required, to finance the deficit on appropriate terms and conditions. Without additional and complementary measures, the prospects for world economic recovery will remain uncertain, and sustainable economic growth and development over the medium therm will be seriously compromised.

57. Another manifestation of the mutuality of interests arising from the growing interdependence between North and South is the relationship between borrowers and lenders. Given the wide exposure of transnational banks in the developing world (especially in comparison to their equity base), debt-servicing difficulties pose a threat not only to the development process but also to the viability of the international financial system. The systemic repercussions that would ensue from widespread inability to service debt in an orderly manner are too grave to justify a piece-meal approach. A comprehensive financial programme for developing countries with supporting adjustment efforts by developed as well as developing countries, is needed to prevent continued disorder and disruption in the world economy.

58. The increasing "interdependence" of problems in the areas of trade, money and finance, discussed above, is a fundamental and constant concern of UNCTAD whose conclusions should be taken into account by other relevant international organizations, including IMF, World Bank and GATT.

V. The international resposne

59. Despite some marginal improvements, the record of the official system of payments and development financing in according developing countries the time and resorces they need to undertake adjustment in the context of growth has been dismal.

60. The volume of IMF resources, and member countries' access to these resources, have been enlarged somewhat by the decisions to raise the proportion of quota that may be drawn, and by the Funds' borrowings from official institutions.

However, this has served as only a partial offset to the long-term tendency of quotas in the IMF to decline in relation to the relevant aggregates. The ratio of quotas to current account imbalances has fallen from a level of 84 per cent in 1966-70 to 39 per cent in 1971-75 and to 27 per cent in the most recent five years.

61. The quality of Fund assistance has also declined. The Enlarged Access Policy confines the incremental access to the upper credit tranches. Moreover, the quota limits on CFF have been raised without corresponding adjustments to the provisions regarding conditionality. A major adverse shift has therefore taken place in the balance between low and high conditional resources. This is in marked contrast to what occurred in 1974-1975 when, in response to a sizeable structural imbalance in international payments, the low-conditional Oil Facility was established. Current world economic conditions warrant a similar increase in the availability of low-conditional finance. Perhaps the reluctance in providing such financing is due to the fact that the countries now seeking external support are largely the developing countries, whereas in the 1974-1975 period a number of large developed countries also needed help: around half of the oil facility drawings went to developed market-economy countries. It is unacceptable that the international response to shifts in international payments should be governed by political biases of this kind.

62. Also to be regretted is the Fund's abandonment over the past year of the effort it began in 1979 to adjust its conditionality to changing realities. Such an effort is made more, not less, desirable by the magnitude and severity of deterioration in developing countries' payments positions. The fact that the Fund has limited resources is no reason to tighten conditionality. On the contrary there is an even more pressing need for augmenting the Fund's resources to enable it to carry out its functions under the Articles of Agreement, in particular the objective (contained in Article 1), "to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy". Nevertheless, Fund quotas relative to world trade and current account imbalances have been allowed to suffer a steep long-term decline. Moreover SDRs have not been allocated in significant amounts and their share

in world reserves has fallen to a negligible figure. The quota increase in prospect is clearly insufficient. This makes it all the more urgent and necessary to allocate SDRs in sizeable amounts.

63. The recent experience has also highlighted some serious shortcomings in the CFF. First, for a significant number of countries the quota limit on drawings of 100 per cent (125 per cent including cereal-related deficits) is limiting the proportion of the shortfall covered. Second, the conditionality requirements, already mentioned, are reducing access to and the timeliness of drawings. Third, except for cereals, import price changes are not taken into account. It is also to be noted that temporary rises in interest payments on account of higher interest rates are not covered by the Facility, although that would be in keeping with the facility's raison d'être.

64. The experience with extended fund arrangements has been even more disappointing. Most of such arrangements have been suspended, largely because of the stringency and rigidity of the performance criteria relating to the volume of credit and the public sector borrowing requirements typical of stand-bys in the upper credit tranches. Pin-point targetry with respect to these variables has proved to be hazardous even in developed countries with mature institutional structures. It is especially harmful in developing countries. Moreover, no allowance seems to be made for contingencies. These difficulties would have been avoided had the EFF had the explicitly structural orientation that was originally sought. Instead of constituting, in essence, a series of traditional stand-by arrangements designed primarily to curb demand.

65. The World Bank's decision to provide Structural Adjustment Loans (SALs) represents an explicit attempt to make up for the paucity of programme financing. However, SALs do not bring additionality (except insofar as they accelerate disbursements) and a maximum of only 10 per cent of Bank lending is available in this form. Moreover, they involve rigorous conditions, carrying in effect not only the conditions of IMF stand-bys, but also policy conditions that stipulate a minimalist role for the State and are therefore unacceptable to many developing countries for economic as well as for political and social reasons.

66. World Bank lending has not been enlarged in response to the increased financing needs of developing countries. Indeed, the present five-year lending programme envisages no growth in real terms. Instead, the Bank has sought to place emphasis on co-financing and on its so-called "catalytic" role in mobilizing private sector resources. It is unlikely, however, that the World Bank can function as a real catalyst unless its own resources also expand rapidly - particularly since private lenders are increasingly reluctant to lend. In any event, for many developing countries the mobilization of private flows through co-financing is not a viable substitute for increased official flows. In fact, to the extent that co-financing is tied to project financing (with a project cycle of 10 years on average), there would be neither a substantial additional nor quick disbursing element to meet the immediate needs of developing countries. However, where co-financing of programmes lead to additional resources e.g., export credits, these would make some contribution to maintaining the import capacity of developing countries.

67. Bretton Woods institutions which were not intended originally to deal with the problems of developing countries have penalized the developing countries, particularly the least developed ones for whom those institutions represent the lenders of first as well as last resort. These countries have also suffered from the cut-back in IDA funding resulting from the unilateral decision of the United States to reschedule its contribution. The cut-back would have been especially acute had other lenders all followed suit, and it is fortunate that many of them decided not to do so.

68. It is clear that the policies of the Fund and Bank have assumed great significance for a broad range of developing countries, including many that until recently enjoyed liberal access to private capital markets. Equally, these policies have had a number of negative effects on the international monetary and financial system as a whole. It is essential that these institutions should become much more oriented towards supporting the development process and contributing to adjustment in a manner that is both equitable and efficient, rather than engaging in ad hoc stop-gap measures which are ineffective in serving the long-term interests of the international community.

69. Largely under the pressure of events, a number of accommodations have been made in respect of the acute difficulties being encountered by developing countries in the servicing of their debt. These range from rescheduling of official and officially-guaranteed debt in the context of the Paris-Club (normally preceded by stand-by agreements with the IMF) to the more recent ad hoc arrangements for countries with heavy repayments due to banks. The latter have so far involved a few countries accounting for a large share of the total exposure of banks in the developing world. Such ad hoc measures have been innovative in certain respects, in particular the relations between the IMF, other monetary authorities and developing countries and by giving the international monetary and financial system a welcome degree of flexibility which it previously lacked, they have helped avert a collapse of the system. These ad hoc measures have, however, failed to address many fundamental issues. It is therefore of the highest priority to move forward from improvisation under crisis to a more considered and systematic approach to the interrelated questions of trade and financing that would, among other things, fully address the debt problems of developing countries. This will need to encompass those developing countries which by themselves are too small to generate instability in the system as a whole, as well as the big debtors. Here, too, it is important to bear in mind that debt servicing capabilities will be strengthened in the long run through the growth of supply and not by the contraction of demand.

70. Multilateral development finance institutions have not been able to respond adequately to the new situation either in terms of a real increase in their lending or in terms of new lending techniques. The volume of financing provided by regional banks for programme assistance continues to be negligible in relation to the needs of their member countries whilst the replenishment of their concessional windows is inadequate.

VI. Longer-term perspectives

71. The various changes in payments financing and debt (and their shortcomings) discussed above, must be seen against the broad tendency of long-term capital flows to developing countries to decelerate or stagnate. Some developed and developing countries have fulfilled their commitment target in transferring resources to developing countries as agreed in the Second United Nations Development Decade.

However, concessional flows from developed countries as a whole have grown little if at all in real terms, largely owing to the failure of some major donors to move in the direction agreed upon by the international community; the Socialist Countries of Eastern Europe have also displayed rigidity with respect to the 0.7 per cent aid target. By contrast, expenditure on armaments has accelerated to reach extremely high levels, absorbing resources that could be devoted to development.

72. As already noted, net flows from the private markets have recorded marked declines.

73. Moreover, the inability of the international monetary and financial systems to cope with the downturn in the world economy is partly due to the shift that has taken place over the last decade in the relative weights of the private and official components of the system. International monetary and financial relations have become increasingly "privatized". For example, exchange rates have come to be governed not only by official intervention but also by interest-elastic and speculative private capital movements.

74. This volatility has been damanging for trade and investment, especially for developing countries, which are particularly ill-equipped to manage their currencies in a regime of floating rates of the major currencies. International liquidity creation, too, has become privatized, as movements of funds from the private capital markets (especially off-shore markets) have come to provide the overwhelming bulk of increments to world reserves. SDR allocations, which provide a more equitable way of distributing, as well as a more efficient means of creating, international liquidity, have played a negligible role: the share of SDRs in total reserves has fallen to the insignificant figure of 3 per cent lower than a decade ago. Private capital markets have recently become a source of reserve contraction, with much of the cut-back being concentrated on developing countries.

75. With this process of privatization, there has been a sharp change in the ways the current-account deficits of developing countries have been financed. Over the last decade, the share of private flows other than direct investment rose from less than 20 per cent to more than 40 per cent, while that of bilateral

and multilateral official development assistance and the official flows fell from 60 per cent to 40 per cent. The growth of private lending flows certainly brought many benefits: in particular it allowed some developing countries to secure payments and development financing in much larger amounts and generally on less stringent conditions than would have been otherwise possible, and permitted many of them to adjust through growth. However, private flows have proven to be unpredictable and vulnerable. Moreover, the changing shares of private and official flows are symptomatic not only of dynamism on the part of private flows but also of sluggishness on the part of official flows.

76. Sluggishness in the growth of official flows has been particularly onerous for the many developing countries that cannot attract private funds. For them, private capital markets cannot substitute for the official sector. Moreover, the official sector has failed to expand sufficiently to create an environment in which the private sector could function in a crisis-free manner: for example, the present tendency for flows to developing countries to decline as lenders stampede in response to shifting perceptions of countries' creditworthiness is partly due to the relative decline in the size of the IMF. A substantial enlargement of official flows, in particular those through the multilateral institutions, is essential if the international monetary and financial system is to be efficient in its task of imparting stability and growth to the development process, and equitable in terms of meeting the needs of developing countries at all stages of development.

77. The present acute difficulties of developing countries are indeed closely connected to structural deficiencies in the character of the international monetary and financial system. These may be summed up as follows:

(a) the official sector has increasingly abdicated its responsibilities to the private sector. Recent reports of policy decisions on co-financing by the World Bank suggest that the process continues;

(b) the resources of the multilateral institutions have been eroding in size playing a lesser role in the international monetary and financial systems;

(c) international monetary and financial co-operation has been geared to managing short-term crises rather than furthering long-term development; and

(d) the developing countries have had little say in the management of the system which has had too much to say in the management of the developing

VII. The policy challenge

78. The policy challenge is threefold:

(a) A series of immediate measures need to be taken, particularly in the area of payments financing for developing countries to survive the worsening crisis. These measures must be consistent with the requirements of structural change in the international economy and the evolution of a monetary and financial system in which developing countries' interests are served. For example, if the immediate measures were designed mainly or primarily to reinforce the private payments system they would be completely inadequate without complementary action to provide the development finance required by developing countries. These immediate measures must include an increase in the relative size of the official sector, particularly the IMF, and improved conditions on lending.

(b) The immediate measures should help to re-orient the international monetary and financing systems in support of growth and development while promoting recovery. At the same time a systematic process of reform is essential if the present disorder in the international monetary and financial system and the continuing global economic crisis are to be surmounted. In particular, the institutional framework of international moentary and financial co-operation needs to be restructured. Developing countries must be accorded a real say in the management of the international monetary and financial system. The "privatization" of external flows should not be institutionalized.

(c) The long-term external resources gap for the development of developing countries must be bridged through a large-scale transfer of resources in particular of Official Development Assistance (ODA) in line with international commitments.

VIII. Policy approach

79. Among the most important and immediate measures, consideration should be given to the following:

(a) A substantial increase in the liquidity and reserves of developing countries, together with an immediate change in IMF conditionality.

(b) A substantial increase in ODA and other official flows, both bilateral and multilateral.

(c) A major debt-restructuring exercise.

(d) The launching of the process of reform of the international monetary system.

It is proposed that the appropriate IMF Groups be charged immediately to begin work. In the absense of such an agreement to do so other mechanisms may be considered, including an Independent Commission on Monetary Reform established by the Secretary-General of the United Nations in consultation with the Managing Director of the Fund, the President of the World Bank, and the Secretary-General of UNCTAD.

(e) The implementation of appropriate financial measures such as those which have been identified in the areas of trade and commodities and structural adjustments conducive to a global economic recovery and development.

80. Since the elaboration of the Programme of Immediate Action on International Monetary and Financial issues by the Group of 77 in 1979, (Blue Book) and the adoption of the Third International Development Strategy adopted by the United Nations in 1980, the international economic crisis has become more acute.

81. It is proposed that the Blue Book be reviewed at the earliest possible date by the Group of 24 meeting at Ministerial level prior to the Group of 77 Ministerial meeting in Buenos Aires, March/April, 1983. In the course of the Group of 24 review specific proposals should be formulated.

82. The following is not an exhaustive list of issues and proposals. However, they indicate the more important ones which the Group of 77 will need to give urgent consideration at the regional Ministerial meetings in preparation for Buenos Aires, March/April, 1983.

IX. Policy measures

World Economic Recovery and Development

83. A global effort should be initiated immediately to adopt concerted monetary, financial and trade policies designed to bring about a process of recovery of world output and employment in which a leading role would be played by a resumption, at an accelerated pace, of the development of the developing countries, together with the associated adjustments required in the structure of world output in line with the New International Economic Order (NIEO).

A. The International Monetary Fund

84. (a) Conditionality: The IMF should undertake a fundamental review of the principles on which its conditionality rests and revise immediately its policy conditions under the tranches so as to place greater stress on supply expansion, fully reflecting the social priorities of countries and their economic and political constraints. Greater use should be made of multi-year programmes and due allowance made for uncertainties in setting performance criteria.

(b) SDR Allocations: A substantial allocation of SDRs should be made immediately taking into account world liquidity needs and the acute shortage of reserves of the developing countries.

(c) Medium-term Facility: A new low-conditional facility to extend medium-term payments financing to developing countries should be established, financed from the proceeds of SDR allocations to developed countries.

(d) The Link: A decision to link SDR allocations and development finance should be taken without further delay.

(e) Quotas: In the light of the Interim Committee's recommendation to increase Fund quotas to SDR 90 billion, an increase which falls far short of the current and evolving requirements of the Fund's developing country members, it is recommended that:

(i) The new quota increase under the Eighth Review come into effect not later than 1983;

(ii) In view of the present financial crisis, the Ninth Review of Quotas should be advanced to 1984; and

(iii) The present policy regarding overall access in terms of multiples of quota should at the least be maintained after the quota increase consequent on the Eighth General Review.

(f) Trust Fund: A new Trust Fund should be established, financed from the profits of additional sales of the IMF's gold holdings and interest due from the developed countries allocation of SDR's.

(g) Compensatory Financing Facility: The Compensatory Financing Facility should be liberalized so as to provide full coverage of shortfalls. The shortfall formula should be reviewed and expressed in real terms so as to make drawings more timely. Terms of access to the Facility should be substantially liberalized and repayments should be linked more closely to a recovery of export earnings.

(h) The IMF should exert influence on surplus developed countries through the surveillance of exchange rates and other appropriate ways to bring greater efficiency and symmetry to the adjustment process.

(i) Decision-making: Developing countries should be fully involved in all stages of the decision-making process both formal and informal. Their voting strength in the Bretton Woods institutions should be increased substantially.

B. The World Bank

85. (a) The Bank's five-year lending programme for the period 1982 to 1986 of US$ 60 billion should be accelerated so as to be fully disbursed over four years. To this end, not only should the share of local costs financed by such loans be increased substantially but also the share of programme assistance, project identification and execution capability should be raised significiantly.

(b) The conditions of structural adjustment lending (SAL) should be adapted so that all developing countries requiring structural adjustment finance may borrow. In order to increase the ability of the World Bank to respond to the emergency needs of developing countries, volume of lending for structural adjustment should be substantially increased.

(c) The World Bank's resources should be enlarged so as to provide a significant growth of lending in real terms. The capital base should be cinreased and the gearing ratio doubled.

(d) Co-financing should be additional to the Bank's regular resources and not a pre-condition for lending by the Bank.

(e) Taking into account the advanced stage of the discussions on an energy affiliate and the substantial measure of governmental support for it in both developed and developing countries, an immediate decision should be taken to establish the facility and to bring it into operation as early as possible in 1984.

(f) The seventh replenishment of IDA should be substantial in real terms. Negotiations should start without delay and be completed in time for IDA-7 operations to commence from the beginning of 1984. The regrettable experience of IDA-6 should be avoided. The terms of IDA should remain unchanged.

86. As regards the regional development institutions the last replenishment of their soft windows jointed to increase in real terms. In the light of the negotiations for furhter replenishments which will begin in 1984, it is strongly recommended that all conor countries substantially increase the replenishment of resources to these institutions in real terms.

C. Export credits

87. (a) The extensive technical analysis carried out in UNCTAD on the need for an international mechanism to refinance export credits extended by developing countries calls for a firm decision by the sixth session of the Conference to establish the International Export Credit Guarantee Facility. The Conference should establish procedures and a time-table for the Facility to come into operation not later than 1984;

(b) The OECD's Arrangement on Export Credits, adopted without consulting developing countries, should be reviewed immediately with a view to fully exempt all developing countries from its stringent provisions on terms of export credits to developing countries;

(c) There should be a substantial improvement in the volume and quality of export credit to finance the import requirements of developing countries. In this connection participants in international arrangements on official export credits should implement the recommendation thereon of the November 1982 GATT Ministerial Declaration.

D. ODA

88. Developed countries that have not met the 0.7 per cent target should do so by 1985 or, at the latest by the end of the decade, and should set interim targets for achieving this objective over the period. Such assistance should not be designed to support the trade promotion activities of donor countries.

E. The substantial new programme of action

89. Relevant international institutions should continue their efforts to seriously consider new mechanisms and arrangements for mobilizing increased financial transfers to the LDCs. Donor countries on their part should:

(a) fulfil their commitment to double their ODA to the least developed countries and to meet the 0.15 per cent target by 1985;

(b) make substantial allocation to relevant United Nations funds, to assist in the implementation of the SNPA;

(c) provide ODA to the LDCs fully in the form of grants as well as loans on terms at least as concessional as those provided by the IDA, both on an untied basis;

(d) improve the quality and effectiveness of aid to the LDCs.

F. Measures in the area of official and private external debt of developing countries

90. The restructuring of the external debt of developing countries will require a multiplicity of complementary measures such as: reorganization of debt with substantially longer consolidation and grace periods, reduction of interest rates compatible with the development process, including retroactive adjustment of terms and modalities required to cover the financing required including liberalization of terms and cancellation. The principles and procedures governing the rescheduling of official debt should be thoroughly reviewed while new arrangements and principles covering the rescheduling of private debt should be evolved.

(a) Debt relief with respect to official debt:

(i) Fully and rapidly implement Part I of TDB resolution 165(S-IX) without any form of discrimination and convert all outstanding bilateral ODA loans into grants for the least developed countries;

(ii) For other poorer countries in Africa convert all bilateral ODA loans to grants;

(iii) Emergency and generalized debt relief on an exceptional basis should be agreed at UNCTAD VI for debt payments on official and officially guaranteed loans. For all developing countries other than those cited in (i) and (ii) above, amortization payments on bilateral ODA loans scheduled during the period 1984-1985 should be added to the end of the scheduled repayment period;

(iv) For the official and officially guaranteed export credits a substantial proportion of scheduled interest and amortization payments should be consolidated; the consolidated amount should be repaid over 10 years, with a five year grace period;

(v) The contribution of the multilateral development lending institutions to the emergency debt relief measures should be to provide additional programme assistance to developing countries in an amount at least equal to the debt-service obligation of the borrower to the multilateral lending institutions.

(b) Restructuring of the private debt including modalities for the funding of such debt.

Principles and procedures governing debt rescheduling

(a) Official debt

(i) Despite the adoption of "detailed features" in TDB resolution 222(XXI), agreements under the aegis of the Paris Club do not generally reflect the guidelines. The guidelines should be thoroughly reviewed by the Conference and modified in the light of the much graver debt crisis facing developing countries;

(ii) On the basis of consensus TDR resolution 132(XV), and with a view to render the Paris Club operations closer to the internally agreed features the Conference should establish a framework wherein interested developing countries prior to debt renegotiations in the customary fora, should be allowed to convene a meeting of official bilateral and multilateral creditors as well as the relevant private creditors to consider the economic situation and medium term development objectives and prospects of the country. Such examination should be assisted by the relevant official organizations, including UNCTAD and should address the balance of payments and development finance needs of the country in a framework supportive of growth and development of the debtors country.

(b) Private debt

Absence of internationally agreed principles and features in the area of private debt as well as the lack of a multilateral forum to effect restructuring of private debt has seriously undermined the efforts of developing countries to reschedule private debt in an orderly manner. The Conference should address this issue as a matter of priority and establish appropriate guidelines together with a multilateral framework designed to strengthen access to external finance and restore the pace of development and growth.

G. Private direct investment

91. Direct private foreign investment which is compatible with national legislation and contributes to the achievement of the development objectives and priorities of developing countries represents a substantial contribution to development and to the strengthening of national capacities through the real transfer of technology. The negotiations on the preparation of a Code of Conduct for Transnational Corporations should be concluded as a matter of urgency.

H. International Monetary Reform

92. Negotiations should begin expeditiously to correct the structural deficiencies in the international monetary system with a view to making it supportive of the process of international development, in particular of the developing countries. The official component of the international monetary system should be revamped and its institutional framework reformed to overcome the inadequacies in the private component.

(a) International consultations and concertation with the participation of developing countries, should be undertaken to harmonize the macro-economic policies of the major economic powers in order to take into account the impact of such policies on the developing world and to limit global inflationary and recessconary pressures.

(b) The adjustment process should be made more efficient and its burdens distributed more equitably between surplus and deficit countries.

(c) Official payments financing should be provided in amounts and on terms and conditions that reflect the origin of the deficits and the differing capacities of countries to effectuate adjustments, and that help limit the international transmission of inflationary and recessionary pressers.

(d) The exchange rate system should be reformed to provide greater stability, while retaining sufficient flexibility to allow adjustment to take place without putting undue pressure on the level of economic activity.

(e) The growth of international liquidity should be made more stable and predicatable by making the SDR the principal reserve asset and by creating SDRs regularly and in adequate amounts. The link should be implemented at an early date.

(f) The size of the Fund, and quotas in particular, should increase regularly and in line with the relevant aggregates such as the value of trade and the size of current account imbalances.

(g) Developing countries should participate fully in all phases of the studies, consultations and negotiations linked to decisions on the international monetary system.

I. The framework for international financial co-operation for development

93. (a) The framework of development finance should be made more coherent and comprehensive so that the long-term external resource gap of developing countries may be bridged and the need for different types of assistance (including technical assistance) fully met.

(b) Bilateral and multilateral flows should be put on an increasingly assured basis, and serious consideration given to utilizing incomes from the global commons, the institution of an international taxation system, and resources released from disarmament.

(c) The institutional framework for dealing with debt servicing problems should be reviewed so that the developmental aspects are given equal weight.

(d) Review of the thrid International Development Strategy.

PROGRESS IN THE IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES (Agenda Item 12)

Introduction

94. Recognizing that the least developed countries are the poorest and economically weakest of the developing countries, and with totally inadequate levels of living, it was agreed at the Paris Conference in 1981 that the international community, in particular the developed countries and relevant international organizations as well as the developing countries in a position to do so, would provide substantial assistance to these countries to bring about structural transformation of their economies as an essential priority within the International Development Strategy for the United Nations Development Decade, to enable them to make the decisive break from their past and present situation and their bleak prospects, towards self-sustained development.

95. It was recognized that in order to achieve the objectives of the Substantial New Programme of Action, action by the least developed countries must be complemented by support of the international community, both through increased financial resource transfers and through policies programmes affecting the modalities of assistance, technical assistance and transfer of technology, commercial policy measures and co-operation among developing countries.

96. It was estimated at the Paris Conference that external financing for the implementation of the SNPA for the first half of the 1980s adds up to some US$61.7 billion (corresponding to an annual average flow of $12.3 billion), about 85 per cent above the flow in 1975-1979 (which averaged $6.6 billion annually). (Revised calculations based on more up-to-date statistical information and which take into account the new countries that the General Assembly at its thirty-seventh session has approved for inclusion in the list of LDCs, show a projected requirement of $14.1 billion in 1985 at 1980 prices.)

97. With the urgent need for the substantially increased transfer of resources to the least developed countries all countries undertook to increasingly direct official development assistance to the least developed countries, specifically most donors of ODA undertook to devote 0.15 per cent of their gross national product to these countries in the years 1982-1985. Others undertook to double their official development assistance to the least developed countries in the same period. Taken together, these commitments were designed to achieve, by 1985, a doubling of official development assistance to the least developed countries, compared to the transfers to them during the last five years. Further, it was agreed that donor countries would provide assistance to the least developed countries as a general rule, in the form of grants, and that they would provide loans, mutually agreed upon, on highly concessional terms. It was also agreed that, to the maximum extent possible, official development assistance loans and grants to the least developed countries would be on an untied basis. Donor countries further agreed that assistance to the least developed countries would be in the form of projects, as well as in other forms, such as commodity aid, programme and sectoral assistance, balance-of-payments support and budgetary support where appropriate, recurrent cost support and support for local development banks and financing institutions.

98. It was also agreed to expeditiously implement TDB resolution 165(S-IX), which provides that donor countries will adopt measures to adjust the terms of past bilateral ODA, as a means of improving the net flow of ODA to particularly the least developed countries. It was expected that the outstanding bilateral ODA loans to the LDCs would be immediately converted into grants.

99. In view of the special difficulties of the least developed countries in obtaining access to non-concessional assistance, it was agreed at the Paris Conference that multilateral assistance agencies should direct to the least developed countries a substantial and increasing volume of concessional assistance.

100. The question of possible new mechanisms for mobilizing increased financial transfers was also considered. In this connection, it was agreed that relevant competent international institutions should continue their concerted efforts to consider new mechanisms and arrangements, which include proposals for, inter alia, international tax schemes for development, further gold sales by the International Monetary Fund, the linking of the creation of special drawing rights to development assistance, and the use of interest-subsidy techniques.

101. On the trade side, the balance-of-payments position of the least developed countries being extremely precarious and these countries being only able to finance half their imports out of export earnings, it was agreed at the Paris Conference that all donors, and others in a position to do so, would consider the establishment of facilities for providing assistance for ameliorating the situation.

102. It was also agreed that special efforts would be made to promote adequate markets and to provide the greatest possible certainty and access to markets to the export items of the least developed countries. It was also agreed that preferential schemes of various types should be further simplified and improved, with a view to providing the fullest possible duty-free treatment to the exports of the least developed countries.

Implementation

103. (a) On their own part, a significant number of the least developed countries have already taken serious steps to implement the Substantial New Programme of Action. At the national level, they have appointed a governmental focal point for the review and implementation of the SNPA, and have decided on the consultative arrangements as required in the programme of action. Some of them have already organized meetings with their development partners, while others are preparing for such meetings.

(b) At the national level, few African least developed countries, have managed to organize review meetings with aid partners in the form of Round Tables and consultative group meetings under the lead of the United Nations Development Programme and the World Bank. At the regional level, as provided for in Chapter 3, paragraph 125 of the Substantial New Programme of Action, the ECA secretariat on its part, has organized a ministerial meeting of African LDCs with a view inter alia to reviewing current trends and prospects in these countries and to evaluating the SNPA and its implications for growth and development in the African LDCs.

(c) The results of the review meetings which have been so far organized show that commitments made are often vague and do not indicate the precise financial and technical contributions which individual donor countries or institutions are willing to make for the implementation of the country programme and projects. In most cases, donor institutions referred to the existing technical assistance currently provided to least developed countries and expressed their intention to continue providing such assistance.

104. However, in spite of the commitments, resource flows to the least developed countries have regrettably slid backwards. In 1980, ODA receipts of these countries declined in real terms by 3.5 per cent. In 1981 bilateral ODA from DAC member countries decreased in current prices from $3.24 billion to $3.16 billion, a decrease by 3.6 per cent, current levels of assistance thus regressing to an average at 0.04 per cent of donors' GNP. In that same year DAC contributions to multilateral agencies decreased by almost 20 per cent, while the share of flows allocated to least developed countries by these agencies did not increase. Overall DAC ODA, which accounted on the average for 0.07 per cent of donors' GNP, thus moved backward from the 0.15 per cent target during that year. In 1980 ODA of DAC donors averaged only 0.07 per cent of their GNP, while the corresponding figures for OPEC donors was 0.16 per cent, and 0.02 per cent for the socialist countries of Eastern Europe.

105. It now appears from projections made on the basis of present trends and commitments, that a real increase of only about 30 per cent in overall ODA flows to LDCs can be expected by 1985, from the 1980 level. This would mean a flow of $8.1 billion in ODA to LDCs in 1985 (at 1980 prices). Compared to the level of $6.1 billion reached in 1980, this is far from the doubling envisaged in paragraph 63 of the SNPA. This is also far from the $11.5 billion capital requirements estimated for 1985 to maintain the existing negligible growth rate of the LDCs.

106. On the multilateral aid scenario, in 1981 the share allocated to LDCs in total disbursement of multilateral agencies mainly financed by DAC countries, increased to 27 per cent, somewhat above the share in 1980, yet a little less than that in 1978 and 1979. However, the recent curtailment of the volume of resources being made available to multilateral programmes has created difficulties. For instance, the IDA, which is the single largest source of concessional assistance for the LDCs, suffered from the fact that the United States contribution for the sixth replenishment was stretched by Congress over four instead of three years. In fiscal year 1982, IDA commitments to LDCs decreased by 5.6 per cent in nominal terms.

107. The UNDP also suffered from recent declines. In 1981 pledges to the UNDP fell by 6 per cent. In 1982 they remained virtually stagnant, and in 1983 the anticipated pledges are $10 million less than for 1982. The Administrator of the UNDP has advised governments that the estimated resources available under the Third Programming Cycle (1982-1986) would only permit the delivery of around 55 per cent of the agreed illustrative indicative planning figure targets. Since the allocation of UNDP resources has been substantially altered in the third cycle in favour of the LDCs and other countries below $500 per capita income, it is these countries which will suffer most from these across-the-board reductions.

108. On aid modalities, only a number of bilateral donors provide ODA to the LDCs in 100 per cent grant form. Others are yet to follow.

109. For the LDCs as a group only 42 per cent of bilateral ODA commitments from DAC countries was untied in 1980. However, almost all the concessional assistance provided by OPEC countries and OPEC multilateral agencies is untied. All aid from the socialist countries of Eastern Europe, including their multilateral contributions, continue to be tied to goods and services in the donor country.

110. On debt cancellation for LDCs, in addition to Ireland, Luxembourg and Norway, only 14 DAC donors have reported that they have taken specific measures benefiting a total of 27 LDCs. In some cases, however, the relief granted is still subject to parliamentary approval. Further, debt relief has not always taken the form of a straightforward cancellation of debt. In recent years, the official debt and debt services payments of almost all the LDCs have continued to increase steadily. For the LDCs as a group, the over-all burden of indebtedness rose from $12.9 billion in 1978 to $18.4 billion in 1981, and the proportion of debt service payments in total LDCs' export earnings more than doubled between 1978 and 1981 when it is estimated to have reached 24.2 per cent.

111. The SNPA had agreed on strategies to bring about an over-all annual growth rate of manufacturing output of 9 per cent or more in the LDCs. These strategies envisage availability of adequate financial and technical external support, and the removal of tariff and non-tariff barriers for industrial products of the LDCs. However, the value of imports of manufactures by the industrialized countries from the least developed countries dropped to approximately $1 billion in 1981 from $1,280 million in 1980. Estimates suggest that about 30 per cent of these imports are still subject to tariff or non-tariff barriers, which, if removed, could help to increase exports from the LDCs.

112. Although it is recognized that energy is a primary input in the development process, serious steps have not been taken by the international community to increase the energy potential of the LDCs for full implementation of the SNPA.

113. Adequate information has not been provided by donor countries and institutions regarding action taken by them to implement the SNPA, although two years have elapsed since the Paris Conference. Lack of such data has made it extremely difficult to make an objective assessment of the progress made in the implementation of the programme. However, from available information, it is clear that progress in the implementation of the SNPA has been extremely slow.

Recommendations

114. The Conference expresses disappointment at the slow pace of implementation of the SNPA for the 1980s for the LDCs, nearly two years after its adoption and at the actual decrease of resource flows to the LDCs which seem to indicate that, even if all commitments made so far were to be fulfilled by donors, there would still be a shortfall each year in resource flows to the LDCs, leading to at least a gap of $6 billion for 1985 alone. From estimates, in view of the current trends, it would appear that this shortfall will be much larger than this figure. This is spite of the commitments undertaken in the SNPA and the serious efforts by LDCs to implement it.

115. The Conference views with deep concern the deteriorating economic conditions of the LDCs which force a number of them to take retrenchment actions and concentrate on stabilization measures, limiting of capital expenditure and restricting imports of food, energy and intermediate and investment goods instead of identifying and implementing transformational investments as called for in the SNPA to enhance the structural transformation of their economies.

116. Although the primary responsibility for the development of the least developed countries lies with these countries themselves, it is nevertheless clear that the implementation of the SNPA will require substantial assistance from the international community.

117. To reverse this unacceptable situation, which is incompatible with the commitments undertaken in the United Nations conference on the LDCs, the Conference urges the international community to fully and effectively implement the SIPA and provide financial assistance to the LDCs in amounts and on terms which correspond to their immediate and long-term development needs. Donors who have made specific commitments with respect to aid targets to the LDCs should fulfil them promptly, others should accept the aid targets of the SIPA and implement it by 1985.

118. As a matter of priority, the international community should: (i) support LDCs to attain internal and external balance in their economies; (ii) help in maximising capacity utilization of the productive economic units; (iii) support the efforts of the LDCs to increase their per capita food production and (iv) in view of the energy problems facing LDCs, provide financial and technical assistance for the research, exploration and development of energy resources in the LDCs.

119. (a) Relevant international institutions should continue their efforts to seriously consider new mechanisms and arrangements for mobilising increased financial transfers to the LDCs, including such measures as international tax schemes for development, further gold sales by the IMF, linking the creation of special drawing to development assistance, and the use of interest subsidy techniques. Balance-of-payment support in general must not be used to exercise political pressure on the least developed countries and should not be dependent on acceptance by the least developed country of measures and programmes which involve social costs which hinder its basic aims, objectives and priorities.

(b) The IMF should undertake a fundamental review of the principles on which its conditionality rests in such a way to reflect the social economic and political priorities of the LDCs and allocate substantial portion of SDR's Trust fund facilities and compensatory financing facilities to these countries.

120. (a) Donor countries should make substantial allocation to the UNDP Special Measures Fund for the LDCs and the United Nations Capital Development Fund, to assist in the implementation of the SNPA.

(b) With regard to country review meetings, the lead agencies should strengthen their effective contribution to the convening of the review meetings at the country level, noting the present slow rate of implementation.

121. With regard to aid modalities, all donor countries should take immediate steps to provide ODA to the LDCs fully in the form of grants, and to provide loans on highly concessional terms at least as concessional as those provided by the IDA.

122. (a) Developed countries should promptly and fully implement Trade and Development Board resolution 165 (S-IX) expeditiously and convert all outstanding bilateral official development assistance loans into grants for all the LDCs indiscriminately;

(b) Developed countries should take necessary measures to extend relief to LDCs for private debts.

123. Urgent steps should also be taken by donor countries to provide ODA, loans and grants to the LDCs on an untied basis indiscriminately.

124. Donor countries should take steps to improve the quality and effectiveness of aid, and eliminate the time-lag between aid commitment and disbursements. Donor countries are also urged to implement the recommendations of the Second Meeting of Multilateral and Bilateral Financial and Technical Assistance Institutions with Representatives of the Least Developed Countries.

125. In the field of commercial policy, it is necessary for the developed countries to implement the following measures, in order to enhance the export trade of the LDCs:

(i) further improve the GSP treatment for exports of least developed countries, with the objective of providing duty-free access to such products;

(ii) use of more flexible requirements for rules of origin for exports of least developed countries;

(iii) eliminate non-tariff measures affecting exports of least developed countries;

(iv) facilitate the participation of least developed countries in MTN agreements and arrangements;

(v) strengthen the technical assistance facilities of UNCTAD and other relevant United Nations organizations and the special requirements of least developed countries;

(vi) strengthen trade promotion activities, through the ITC and other initiatives, such as the establishment of import promotion offices in importing countries.

126. The bilateral development partners and international organizations should also:

(i) assist the least developed countries to create industries for on-the-spot processing of raw materials and food products;

(ii) assist in the development of integrated projects for the expansion of exports and provide adequate resources to overcome all supply bottle-necks;

(iii) promote long-term arrangements for the sale of least developed countries' export products and have public bodies and international institutions, as a matter of policy, seek to purchase some of their supplies for least developed countries.

127. With respect to compensation for the least developed countries for shortfalls in their earnings from the export of primary commodities:

(a) Developed countries should consider to improve a Stabex-type scheme with respect to the LDCs from which they import primary commodities.

(b) As part of the proposal to enlarge and liberalize the IMF Compensatory Financing Facility, special arrangements should be considered for the least developed countries, by providing for full coverage of their export shortfalls, for the subsidization of their interest payments on outstanding drawings and for a repayment period of 10 years with a grace period of 5 years. To this end, there is an urgent need to bring the IMF Subsidy Account into operation so as to subsidize the difference between payments made at market-related interest rates and those which would be made under regular use of Fund's resources.

128. As recommended in paragraph 85 of the SNPA, the international community should provide the least developed countries with financial resources particularly for the development of ports, roads, rural tracks and railways in least developed countries, from United Nations organizations and bilateral and multilateral donors, as well as financial resources and technical assistance to train the required manpower and to set up indigenous training institutions.

129. In the context of economic co-operation among developing countries and in the spirit of collective self-reliance, developing countries in a position to do so should provide assistance to the least developed countries as follows:

(a) provide preferential treatment, as far as possible, to imports of goods produced by the least developed countries;

(b) assist the least developed countries to develop their production potential of food, energy and other resources, including manufactures;

(c) provide, under preferential terms and conditions and at a minimum cost, the results of scientific and technological development adapted to the development needs of the least developed countries;

(d) provide increased flows of financial and technical assistance and goods for the benefit of the least developed countries through special preferential arrangements;

(e) promote and expand joint ventures with the least developed countries involving the transfer of equipment and technology, in the context of long-term bilateral agreements or special arrangements;

(f) explore the possibilities of undertaking long-term arrangements to assist least developed countries to achieve a reasonable level of sales of their products.

130. (a) The international community should provide substantial and additional financial and material assistance to the least developed countries which are susceptible to major man-made and natural disasters with a view to complementing their efforts to provide essential services as well as to strengthen their developmental activities.

(b) The donor countries and institutions are urged to adhere to the commitments made at the UN Conference on LDCs and use the review meetings forum to indicate precisely:

- their overall financial contribution over and above the existing assistance being provided;
- the sector and specific projects which they plan to finance or co-finance;
- the immediate action component and the areas or sectors where such non-project aid will be given;

- the correct steps to be taken with respect to aid modalities;

- the concrete steps they will take with respect to export promotion and diversification.

131. As part of the preparation for the mid-term global review of the implementation of the SNPA, the Secretary-General of UNCTAD should convene a Third Meeting of Multilateral and Bilateral Financial and Technical Assistance Institutions with Representatives of the Least Developed Countries. The Meeting should in particular:

(i) undertake a review and assessment of the economic situation of the least developed countries and of assistance requirements for their accelerated progress;

(ii) evaluate and put forward relevant recommendations to improve aid practices and management, notably as regards terms and conditions of aid, adapting assistance criteria to the specific needs of the least developed countries, types of aid and priority areas, administration and management of aid programmes, and technical assistance;

(iii) evaluate the results of the individual country meetings convened in accordance with paragraph 111 of the SNPA and make recommendations aimed at improving the co-ordination of assistance programmes.

132. (a) The Secretary-General of UNCTAD should prepare comprehensive reports on the implementation of the SNPA with specific recommendations for ensuring its full and expeditious implementation as well as other relevant documents in line with paragraphs 120 and 122 of the SNPA to facilitate the mid-term global review by the Intergovernmental Group at a higher level in 1985.

(b) In order to effectively discharge its responsibilities in this area, and in recognition of the importance of these issues, the unit of UNCTAD dealing with the least developed among the developing countries should be adequately strengthened and the necessary additional resources made available. Urgent consideration should also be given, in the context of the restructuring of the institutional machinery of UNCTAD, to transforming it into a separate division of the secretariat. The regional economic commissions should also be strengthened in order to effectively review and monitor the progress of the implementation of the SNPA at the regional level.

133. Donor countries and institutions must provide detailed information to the UNCTAD secretariat on the steps they are taking to implement the SNPA, on a regular basis, so as to enable an objective assessment of the progress in the implementation process.

TECHNOLOGY (Agenda item 13 (a))

I. INTRODUCTION

134. The broad framework for the technological issues to be considered at UNCTAD VI is provided by the UNCTAD report "A strategy for the technological transformation of developing countries" (TD/B/C.6/90), in accordance with the decision of the Committee on Transfer of Technology in its resolution TD/B/C.6/L.69.

II. MAIN ISSUES FOR ACTION AT UNCTAD VI

135. UNCTAD VI provides an opportunity for reviewing the progress made, consolidating some initiatives and taking decisions on new dimensions for the 1980s.

A. Restructuring the legal environment

(i) International code of conduct on the transfer of technology

136. In accordance with the provisions of General Assembly resolution 37/210, the Conference at its sixth session should complete the negotiations on an international code of conduct for the transfer of technology to the benefit of all. The proposals of the Interim Committee of the Conference should provide a basis for finding solutions to issues still outstanding. The Code must be adopted by the General Assemby at its thirty-eighth session.

(ii) Economic, commercial and development aspects of the industrial property system

137. The Group firmly believes that, when revising the Paris Convention on the Protection of Industrial Property, it should be recognized that effective working is an essential condition of the granting and maintenance of patents, which should not serve to establish import monopolies, but to contribute to the economic and technological development of the countries where they are

registered. In this connection, the progress made at the national level by a number of developing countries in the revision of their industrial property laws is commendable. In view of the increasingly serious legal obstacles to the development of the scientific base of the developing countries ever since the Paris Convention on Industrial Property came into force nearly a century ago, the Group appeals to the developed countries to expedite the revision of the Paris Convention which should take the interests of the developing countries fully into account.

3. Common approaches to laws and regulations

138. The Group attaches a high priority to the establishment of national laws and regulations on the transfer of technology, as part of broader economic policies, aimed at strengthening the bargaining position of the acquiring enterprises through the elimination of abusive practices and unfair terms and conditions; and at increasing the contribution of the acquired technology to the overall social and economic development of the acquiring country.

139. In this connection, the Group invites the attention of all developing countries to the proposals contained in the report of the UNCTAD secretariat on "Common approaches to laws and regulations on the transfer and acquisition of technology" (TD/B/C.6/91), as well as to the possibility of using these proposals in the introduction or revision of national laws and regulations.

C. Development aspects of reverse transfer of technology

140. The Group urges the Secretary-General of UNCTAD to take immediate action to implement paragraph 5 of General Assembly resolution 37/207, which requested him to convene the requisite meetings of governmental experts to "formulate recommendations on policies and concrete measures, with a view to mitigating the adverse consequences for the developing countries of the reverse transfer of technology, including the proposal for the establishment of an international labour compensatory facility".

D. Technical and operational assistance provided by the Advisory Service on Transfer of Technology

141. The Group wishes that the Advisory Service : (i) increase its technical and operational assistance at the request of developing countries

in the formulation and implementation of policies, laws, regulations, procedures and machinery for the transfer and development of technology in all its aspects; (ii) place greater emphasis on increasing the capacity of developing countries concerning plans and policies for technological development of sectors of critical importance to developing countries, and in enhancing new mechanisms and modalities for co-operation among them in such sectors; (iii) substantially increase and broaden the scope and coverage of its various training programmes; (iv) build up a data and information base concerning alternative sources and potential suppliers of technologies; (v) establish inter-regional linkages among centres, including sectoral centres for the transfer and development of technology.

142. In the view of the Group it is absolutely essential that the Advisory Service be provided with the additional resources required to perform its functions effectively and increase its assistance to developing countries in their endeavours in the field of technology.

E. New initiatives for the 1980s

143. The Group firmly believes that the implementation of a dynamic technology strategy calls for the consideration of new dimensions and new issues for further action. The Group is convinced that the following areas merit detailed consideration in UNCTAD in the years ahead.

(a) Further work on sectors and areas of critical importance

144. The Group urges that meetings of a limited number of experts be called to re-examine and recommend appropriate policies, including concrete measures, in the three sectors of food processing, capital goods and industrial machinery and energy.

145. A number of areas and issues of critical importance to developing countries should receive urgent consideration : agricultural inputs, financing of technology through foreign investment and other forms of transfer, legal, institutional and fiscal measures aimed at encouraging the efficient assimilation and development of technology, implications of technological dependence of women,

and the role of small and medium-sized enterprises in the developed countries in the international transfer of technology.

(b) International norms and standards for pharmaceuticals

146. The Group is convinced of the urgent need to consider, at the intergovernmental level, the possibility of drawing up measures, including the formulation of international norms on the promotion, distribution, trade and technology in pharmaceuticals.

(c) Economic, commercial and development aspects connected with emerging technologies

147. The Group urges the Secretary-General of UNCTAD to study the question of new and emerging technologies (bio-technology, solar energy technology, micro-electronics, etc.) so as to provide the bases for its later consideration by governments for appropriate action.

(d) Interregional links

148. The Group profoundly believes that there is an urgent need to ensure continued and efficient interregional links between national efforts by technology centres and similar institutions in developing countries.

(e) Utilization and commercialization of publicly funded R and D results

149. The Group calls on UNCTAD's Advisory Service to prepare operational tools such as handbooks, manuals and guidelines concerning channels, machinery, policies and procedures for the productive utilization of the results of publicly funded research and development projects in developing countries, and to provide advisory services concerning ways and means for the commercialization of such results.

(f) Utilization and comercialization of the results of research and development funded by the United Nations system for the benefit of developing countries

150. The Group calls on UNCTAD to examine and assess the present patterns and channels for utilization and commercialization of the results of research

financed by the United Nations, and to identify possible measures and arrangements aimed at increasing the over-all contribution of such results to the technological transformation of developing countries so as to lay the foundations for subsequent consideration by Governments, with a view to appropriate action.

(g) Decommercialization of Public Technologies

151. The Group urges the UNCTAD secretariat to undertake for subsequent consideration by Governments a study of possible ways and means through which a decommercialization of public technologies and easy and rapid access to them by the developing countries could be brought about. The group also urges the UNCTAD Secretariat to contact WIPO with a view to obtaining for the benefit of the developing countries, the updated list of technologies that have become public.

III. FURTHER ELABORATION AND IMPLEMENTATION OF THE STRATEGY

152. The Group requests the Secretary-General of UNCTAD to set up a special working group in UNCTAD to consider the strategy, together with the comments made by governments at the sixth session of the Conference.

SHIPPING (Agenda item 13 (b))

153. The Group of 77, considering that maritime transport is one of the essential supports for the harmonious development of their economies and considering that it should not be subject to any restrictions in terms of its objectives and the ways and means of attaining such objectives, believes that the implementation of the new international maritime order requires their effective and significant participation in the carriage of all cargoes arising from their foreign trade and hence also requires substantial development of their hitherto marginal fleets. The shares of developing countries in general and African countries in particular in world tonnage now stand at around 10 and 1 per cent respectively.

154. The Group of 77 is convinced that only through negotiations at the international level on a basis that is fair and mutually beneficial for all can maritime transport effectively play its proper role in the main sector of international trade.

155. In this context, the Group of 77 reaffirms its support for the prompt entry into force of the Code of Conduct for Liner Conferences. It notes with concern that some developed countries have not lived up to their commitment at UNCTAD V to ratify the Code. Accordingly the Group of 77 requests those developed countries which have not yet done so to ratify the Code of Conduct for Liner Conferences.

156. The Group of 77 urges the Governments of the States members of UNCTAD to study closely the proposals made by the developing countries to the effect that the latter should be granted credit for building and purchasing ships on the following minimum terms.

(a) The maximum period of a loan should not be less than 14 years for new vessels and 10 years for second-hand vessels;

(b) The security deposit should not exceed 10 per cent of the contract price;

(c) The interest rate on deferred payments should not exceed 5 per cent per annum;

(d) More favourable terms should be granted for actual ship-building

157. Special attention should be paid to proposals submitted by least developed countries.

158. The Group of 77 voice their concern with the attitude which traditional maritime countries adopt in international negotiations relating to access of cargoes particularly bulk cargoes and note that due to the controls exercised by TNCs over bulk cargoes developing countries increasingly feel the need to resort to unilateral measures. The Group of 77 re-affirms its' determination of participating in the transportation of bulk cargo on a significant and equitable basis.

159. The Group of 77 taking into account the importance of shipping in international trade the latter must be free without restrictions and permitting it to reach its objectives as efficient means of transport call upon the UNCTAD Secretariat to undertake an intensive research studies on TNC's, their control over the bulk sectors, and their treatment of developing exporting and importing countries through the use of transfer pricing in shipping.

160. The Group of 77 attaches paramount importance to the normalization of the conditions for the registration of ships, to the establishment of a genuine economic link between vessels and the flags of their countries of registry, as called for explicitly in General Assembly resolution S/27/209 and requests the UNCTAD Secretariat to continue its studies in this field.

161. In view of the improper practices detrimental to developing countries that are apparent in the shipping sector, call for a global study of investment and support policies in this sector with the aim of identifying measures to ensure harmonious and orderly development of shipping by means of fair competition.

162. The Group of 77 wishes to expedite the international negotiations in the area of maritime legislation, marine insurance, liens and mortgages, the elaboration of model national maritime legislation, the elaboration of model container tariff rules and measures to suppress maritime fraud and piracy.

153. The Group of 77 because of their concern with port development call for the elaboration by international experts under the auspices of UNCTAD of model agreement for feeder and trans-shipment ports and call on these experts also to examine the modalities of foreign investments in ports, liabilities and responsibilities of container terminal operators and users; and call upon the UNCTAD secretariat to examine in depth the development of bulk terminals and the availability and conditions of international financing for port development.

154. The Group of 77, concerned by the trends in containerization and multimodal transport, expresses the wishes that :

(a) A flexible international agreement should be drawn up on container standards;

(b) A standard formula and model provisions for multimodal transport documents should be worked out;

(c) Guidelines should be prepared and disseminated on the application of computer packages to multimodal transport;

(d) A study should be conducted on the desirability of drafting a code of conduct for multimodal transport enterprises;

(e) UNCTAD should provide the developing countries with the assistance they require to take the domestic measures needed for the implementation of the International Convention on Multimodal Transport.

155. The countries members of the Group of 77 will strive to intensify economic co-operation among themselves in the field of shipping by means including inter alia the establishment of regular shipping services between developing countries, for this purpose call on the assistance of the UNCTAD secretariat to elaborate a draft action programme of co-operation among developing countries in shipping, ports and multimodal transport for consideration by the Committee on Shipping at its eleventh regular session.

158. In view of the complexity of shipping operations and the need for a better understanding of shipping problems at the international level, the Group of 77 strongly supports the efforts made by the UNCTAD secretariat and calls upon it to complete all the studies in hand .

Note : The Liberian Delegation made strong reservation on paragraphs 158, 159, 160, 161, 162

LAND-LOCKED AND ISLAND DEVELOPING COUNTRIES [Agenda item 13(c)]

A. Elements for a specific programme in favour of island developing countries

I. Introduction

167. Island developing countries face specific problems as a result of their geographical position. In its resolution 111(V) the United Nations Conference on Trade and Development agreed that:

> "specific action is needed in the case of island developing countries to assist them to offset their major handicaps, in particular those which suffer handicaps due especially to smallness, remoteness, constraints in transport and communications, great distances from market centres, highly limited internal markets, lack of marketing expertise, low resources endowment, lack of natural resources, heavy dependence on a few commodities for their foreign exchange earnings, shortage of administrative personnel and heavy financial burdens. The international community should be ready to take actions to ensure that the full benefit of general measures in favour of developing countries is shared by island developing countries".

168. Furthermore, a number of island developing countries are archipelagic, and in many cases the island are scattered over a wide area.

169. In the same resolution the Conference further decided that UNCTAD should carry out, in a co-ordinated manner and taking into account the work already done in this field, in-depth studies to analyse the common problems of island economies and the constraints inhibiting their economic growth and development, in particular the role of economic and geographic factors in these problems.

170. The Trade and Development Board, in its decision 247(XXIV) further requested the Secretary-General of UNCTAD, in undertaking preparations for the sixth session of the Conference in 1983, while focusing on a selective agenda to pay due account to the problems of island developing countries, and in consultation with Governments, in particular those of island developing countries and including international organizations with responsibilities in development co-operation and natural disaster situations, to ensure that documentation and material is available to the Conference at its sixth session that will allow it to address effectively the problems of island developing countries, whether single or archipelagic.

171. General Assembly resolution 35/61:

(a) Noted with concern that very few significant initiatives have so far been taken for the implementatior of the specific actions envisaged in resolutions 98(IV) and 111(V) of the United Nations Conference on Trade and Development;

(b) Appealed to all States, international organizations and financial institutions to take urgent and effective action to implement specific actions in favour of developing island countries, as envisaged in resolutions 98(IV) and 111(V) of the United Nations Conference on Trade and Development as well as in other resolutions on this subject;

(c) Invited the competent organs of the United Nations system to take further measures as necessary to enhance their capacity to respond positively to the United Nations Development Decade.

General Assembly resolution 37/206

172. Island developing countries must provide their people with as great a range of services, particularly government services, as any other country. Yet, given their remoteness, compounded in most cases by their archipelagic character, these services must be provided to small dispersed communities.

Island developing countries are therefore inevitably faced with high overheads, and increasingly so as world trends in technological development favour increasing scale and call for increasing specialization. The international community should provide full support for island developing countries to overcome these specific handicaps.

II. Elements for a specific action related to the particular needs and problems of island developing countries.

Communications and transport

173. This is clearly an area where island countries are at a particular disadvantage. Even small, one island States, are affected; but since a number of island developing countries are archipelagic the difficultries are compounded in their case. Distance to be travelled within some archipelagic countries may represent an even greater remoteness in terms of travel time than that between the capital and islands in the archipelagic and between capital and neighbouring countries. Transport services available to such countries continue to deteriorate, since technical progress in aviation and shipping is becoming increasingly uneconomic for them. UNCTAD has been active for some time in the field of inter-island and feeder transport, by air and by sea, of island developing cpintries, in particular by executing UNDP-financed technical assistance projects in the field.

174. Conference resolution 111(V), paragraph 9 recognizing the importance of tourism as a major source of income, employment and foreign exchange for some island developing countries, and therefore the importance for them of international air passenger transport, invited the International Civil Aviation Organization, with assistance from UNCTAD and the appropriate regional institutions, to study the policy issues involved in the development of air transport services and to give support to the efforts of these countries in concluding mutually satisfactory air service agreements in respect of both scheduled and non-scheduled services by airlines of national designation.

It is regrettable that the action sought in this paragraph has not yet been taken. It is expected that this issue will be tackled in its totality during the next few years.

175. It is clear that more attention should be devoted to improving transportation. To complement these efforts, more attention should also be devoted to the potential offered by technological advancements in the field of telecommunications. In short, for island developing countries the role best assigned to sea or air transport or communications must constantly be examined in the light of changing technological and economic conditions. There is a clear need for action on these questions, and for facilitating the exchange of information between island developing countries in different parts of the world, as well as a continuing programme of technical assistance from the relevant United Nations agencies, in collaboration with UNCTAD.

Natural disasters

176. Islands are particularly disaster-prone for simple reasons of geography. Furthermore, since island developing countries cannot rely solely on national capacity for reconstruction, but must call on international solidarity, the issue requires the urgent co-operation and involvement of the international community. Given that disasters are a fact of life in island developing countries, disaster prevention and reconstruction should constitute an integral part of national development strategies, including foreign sector planning. Because disasters seem to be a recurrent feature among island developing countries the international community should provide continued assistance particularly to supplement national efforts and planning for disaster prevention as well as to provide immediate relief including appropriate support measures for reconstruction. Indeed, given the openness of island economies, and therefore the immediate impact of natural disaster and prevention measures on the balance of payments, the foreign sector aspect of the question is a major one.

177. In accordance with decision 247(XXIV) of the Trade and Development Board, an appeal is made to the international community and institutions to put into effect the actions recommended by the UNCTAD and UNDRO study.

178. Island developing countries are environmentally precarious: introductions of pests and diseases can have catastrophic consequences not only directly for humans, but also through damage to plant and animal life. Islands are therefore fully justified in taking measures to control or limit such introductions. On occasion they may also require external assistance to cope with disasters resulting from them. These issues should be given due attention in the work programme on integrating disaster risk into national economic planning in island developing countries.

Marine space

179. The establishment of Exclusive Economic zones is of particular relevance to island developing countries and for many it opens important new prospects. To this effect, the international community and international organizations are urged to take into account the provisions of the law of the Sea Convention. Two main dimensions of the economic interest of marine space to island developing countries can be distinguished: exports and local self-reliance.

180. By and large, in the distant parts of the Exclusive Economic Zone, the export interest predominates. The resources of this area include in particular pelagic fish and mineral resources, in particular polymetallic nodules, for which the main demand would come from export markets. Island developing countries are thus facing new challenges which call for better knowledge of their marine resource base, and measures to ensure that the resources are exploited to the benefit of the country concerned, in particular for increasing its export earnings. UNCTAD can make a substantial contribution to these issues.

181. With respect to this offshore part of the EEZ, the problems include firstly resource surveys to establish the nature of the potential, secondly negotiations with the foreign enterprises which will, at least in the immediate future, inevitably be involved in exploration or the exploitation of these resources, and thirdly the acquisition of technology. Regional and international co-operation will yield significant benefits with respect to these activities.

Towards self-reliance

182. Taking into account the major and peculiar handicaps referred to in paragraphs 1-2, island developing countries are increasingly conscious of the importance of becoming more self-reliant, in particular with respect to food and fuel, and of the need to protect themselves from sudden fluctuations in foreign exchange receipts.

183. In this respect there are important development prospects in the coastal zone. The coastal zone is of particular importance to island developing countries. The development potential of the coastal zone includes tourism, the fishing industry, energy, water and agriculture. Tourism is a main - if not the main - foreign exchange earner for many island developing countries. The coastal zone, has traditionally been a major source of protein food and of other products for many island developing countries. Now mariculture is opening up prospects of more intensive development of this area, to meet local needs and for export. There are promising, if still rather distant, prospects of exploiting the energy potential of the sea - ocean thermal exchange, wave or wind energy for instance. In islands where fresh water is scarce, desalination of sea water can become an increasingly important element for survival. Land-based agriculture can also benefit from the resources of the sea, e.g. through the use of sea-weed as fertilizer of as food for livestock. The development of various industries is intertwined with that of these resources, boat building and repair being an example.

184. The links between disaster mitigation and self-reliance should be noted in this context. Isolated communities are most vulnerable to high proportional damage in natural disasters; in such cases self-reliance is the key to local survival in disaster and its aftermath. Local level projects are often multi-purpose: e.g. improved fishing facilities provide regeneration of communications as well as an alternative food source. UNCTAD could therefore assist in initiating small scale projects for improved self-reliance at local levels. In island or archipelagic developing countries such projects should include inter-alia land and inter-island transportation; landing and loading facilities.

185. The conservation of marine life, coastal conservation and the control of marine pollution are taking on heightened importance with the development prospects of island developing countries marine space including the coastal zone. The recommendation in Conference resolution 98(IV), paragraph 61 therefore remains valid:

> "In advising governments of island countries, UNCTAD, in close co-operation with the United Nations Environment Programme and other competent international agencies, should bear particularly in mind the consequences of different kinds of foreign trade and development on the human geography and ecology of the islands".

186. Given the openess of island developing economies, the foreign sector is of great importance with respect to the economic aspects of self-reliant development in their case. The economies of small island developing countries cannot be balanced, nor can complex international linkages be expected. There is a high dependence on imports and a corresponding requirement for the export of goods and services. The economies are very open. Economic events overseas are beyond the control of the island developing countries and therefore have immediate and widespread effects on the local economy. Island developing countries should be supported in their efforts to diversity their foreign sectors; diversification of trading partners and of goods and services trade can be effective means of protecting them from imported economic instability.

187. It follows that UNCTAD has a major contribution to make in supporting island developing countries in their search for more self-reliant development strategies.

Population, manpower and migration

188. Island developing countries generally suffer from acute population pressure. One response to this is emigration; indeed in some island developing countries emigration can be the dominant demographic feature. It can be a significant source of foreign exchange, but this is merely a reflection of payment for labour services provided outside rather than inside the country. The fragile nature of the economies is further exacerbated by the brain drain phenomenon. The reverse transfer of technology is one aspect of this feature of island developing economies UNCTAD's work programme in the reverse transfer of technology should devote particular attention to these cases. Furthermore, UNFPA has a significant role to play in the population problems peculiar to island developing countries.

189. Emigration is also influenced by cultural factors, among which is often the need to seek higher education abroad. Island developing countries cannot economically provide at home for their full range of educational needs. The high import content of the economy results in an appetite for a standard of living which their economies are unable to satisfy thereby encouraging emigration. However, since the traditional destinations for unskilled emigrants are being closed, the problems of unemployment and underemployment are further exacerbated. UNCTAD should collaborate with other competent United Nations agencies in devising ways and means to resolve these issues.

III. Methods and institutional arrangements

Intercountry approach

190. An intercountry approach can be an effective response to the specific manpower constraints facing island developing countries. This does not of

could mean that ready-made standard solutions should be proposed to island developing countries indiscriminately. Nor does an intercountry approach mean dogmatic support for regional integration regardless of circumstances. It does mean that where the island developing countries have recognized the value of entrusting activities to regional organizations, a programme of specific action in favour of these countries should work to the greatest extent possible through these organizations; and that where the countries concerned are seeking to establish such organizations, the international community and UNCTAD as well as other competent United Nations agencies should support them in carrying out a programme of specific action in their favour.

191. Communication between island developing countries is very costly, especially when considered in proporation to the populations involved. This applies even within regions; it is even more the case between regions, since island developing countries are scattered throughout the oceans of the world. This problem is no less acute in the developing archipelagic countries. It follows that if no specific and adequately financed measures are taken, the island developing countries will not be able to benefit from each other's experience in seeking solutions to the specific problems they share. The specific methods of work in this note may therefore fall within an intercountry approach.

Information Exchange

192. Island developing countries cannot afford to maintain a full range of diplomatic services. As a result, a particularly useful type of service that could be rendered to island developing countries at the global level would be to facilitate information exchange. Successes in one region are often not sufficiently known in other regions where they might be useful. It is also a matter of providing information in a form which would permit its direct application, rather than as general background papers; i.e. there is a need for an action-oriented information exchange system.

193. This type of information could be provided either as a reply to a specific request or as a document for wide distribution. In either case, it would be less a matter of research than of disseminating existing information. The UNCTAD programme of specific action in favour of island developing countries already received frequent requests for bibliographies. This service, for which there is an ever-increasing demand, should be made more systematic and possibly disseminated to island developing countries.

Policy-oriented studies

194. Within the programme areas identified above there remains a need for further research in order to specify more precisely the kinds of action required, or directly to make policy recommendations relevant to island developing countries in all regions. These studies might be comparative ones, comparing the experience of individual island developing countries or groups of them, between the various regions of the globe. There might also be pilot or case studies drawing from the experience of particular countries conclusions of relevance to the island developing countries as a whole.

Task forces

195. Task forces able to provide technical assistance at short notice are highly appreciated in island developing countries. There are occasions when island developing countries need the highest calibre of expert but these occasions may be so rare in any one field that it is not worth training a local person to that level.

(a) Such task forces could contribute in certain specialized aspects of negotiations with foreign partners. The members of such task forces are likely to be experts with particular ability in negotiations. The main issues include the negotiation of agreements with suppliers of technology, enterprises interested in exploiting local resources or foreign investors.

(b) Such task forces can also be useful in helping governments to develop their methods of disaster mitigation and prevention, and their inclusion into national economic planning. This may call for the presence of such experts already in the immediate aftermath of a natural disaster. Task forces in the field of environmental protection may also be useful to island developing countries, given that many environmental characteristics, and in particular forms of environmental precarity, are shared by island developing countries theroughout the globe.

(c) Skilled advice of this kind is often needed at very short notice. It does not follow, however, that the task force should be a permanent one. It might be better to call on a wide variety of experts, depending on the particular cases. The need therefore is for funds accessible with a minimum of formalities to permit the rapid mobiliation of an expert, and knowledge of where suitable experts can be found. In many cases, experts may best be recruited in other island developing countries, as a form of TCDC. A service operated centrally can be distinctively useful in cases where advice from one region is to be brought to bear in another.

196. Such task force services are often already available within the United Nations or other intergovernmental organizations, but their availability deserves to be further enhanced and simplified, and where necessary brought more clearly to the attention of island developing countries which may not be fully aware of what is available.

Co-ordination

197. The programme areas described above are interdisciplinary and intersectoral. Their execution will require the collaboration of United Nations agencies such as the International Trade Centre (UNCTAD/GATT). UNCTAD is the only global United Nations body to have a specific focus on island developing countries as such regardless of region. Resolutions adopted at the various United Nations Conferences on Trade and Development have set the tone for

United Nations action regarding these countries, therefore UNCTAD should continue to be the responsible body for co-ordinating the specific action of the United Nations system in favour of island developing countries, acting not only as a focal point but where necessary as a catalyst.

198. Any programme of specific action in favour of island developing countries must remain in close touch with these countries if it is to be responsive to their needs. These countries do not have the extensive diplomatic representation of bigger countries, and cannot be expected to participate in all international gatherings or to keep fully abreast with international negotiations. Financial support should be provided to assist those island developing countries which face constraints restricting their ability to participate adequately in international conferences.

199. A Programme of specific action in favour of island developing countries should therefore also keep in touch with the governments concerned by making itself available to them in their own countries, or at international gatherings where they are represented.

Review and follow-up

200. UNCTAD, being the main United Nations body which focuses on the problem of island developing countries, the Secretary-General of UNCTAD should hold periodic meetings and/or consultations in order to review the implementation of the programme of specific action in favour of island developing countries. These could conveniently be timed to take place before the debate on island developing countries which takes place every two years in the General Assembly.

B. Elements for a specific action related to the particular needs and problems of land-locked developing countries

I. Assessment of geographical handicaps

201. The land-locked developing countries are generally among the very poorest of the developing countries. Indeed, out of the 21 land-locked developing countries 15 are also classified by the United Nations as least developed and therefore additional obstacles resulting from their geographical situation renders their economies particularly vulnerable and thus reduces their over-all capability to cope with the mounting challenge of the extreme under-development which all least developed countries currently face.

202. The economic performance of land-locked developing countries on average has been very weak during the 1970s. During the 1970s the annual rate of growth of GDP per capita for the group of the land-locked developing countries was less than 1 per cent reaching an average level of US$362 in 1980 for the group as a whole. Of the 19 land-locked countries for which data are available for the period 1970 - 1980, only seven averaged per capita income growth rates of 3 per cent or more and nine actually experienced declines in per capita income during this period.

203. The sixth session of the Conference provides an opportunity to reassess the consequences of being land-locked and the ways and means of minimizing the effects of this geographical disadvantage. It is to be noted that although there is an explicit recognition of the particular problems of land-locked developing countries, the full implications and particularly the measurable "cost" of being land-locked are hard to assess and this has to some extent made the elaboration of policy prescriptions to alleviate such problems difficult. A well conceived transport strategy aimed at minimizing the adverse effects of land-lockedness is crucial for promoting close co-operation between the land-locked countries and their neighbours and for soliciting the required assistance from donor countries and institutions. Consderable efforts

have been made particularly by UNCTAD to promote clearer understanding of the basic issues and the required approach in response to the particular needs of land-locked developing countries but surely no claim can yet be made that this has been exhaustive and adequate.

204. The remoteness of most land-locked developing countries from markets aggravated generally by poor transport and communications difficulties along the transit corridors contributes to the high transport costs which these countries must bear. The flexibility of land-locked developing countries to respond timely to the fluctuation in the international commodity markets is limited. Although it may be argued that the remoter regions of many developing maritime States also do incur high transport costs this burden is generally higher in the case of land-locked countries because of slow and complex transit procedures involving expensive control and documentation systems.

205. Land-locked countries do, furthermore, have to incur other costs that result from the maintenance of higher levels of inventories and thus of greater storage facilities due to the unpredictability of transit traffic flows and from the development and maintenance of alternative "insurance" routes. The lack of territorial access to the sea also means that the seaborne trade of a land-locked country depends unavoidably on transit through another country. There are several adverse consequences inherent in such dependence. Transit costs incurred by land-locked countries have to be made in foreign exchange. Furthermore, land-locked countries are dependant on the transport policy of coastal countries and also generally on their transport enterprises and transport facilities.

206. Although the implications of this cannot be generalized the interests of land-locked countries may not always be similar to those of coastal States. There may be disadvantages as a result of such policy measures as these related to the pricing of transport facilities, the protection of particular modes of transport and the limitation of access to routes and facilities. In a broader setting, the land-locked countries have no influence on the development of the

transport infrastructure in the coastal countries and since some of these countries are themselves least developed and have limited resources for investment in transit facilities they may not necessarily have the priority which the land-locked countries from their point of view would accord.

Measures of minimizing the effects of land-lockedness

Improvement and development of transit infrastructure and services

(i) Integrated planning approach

207. In the search for an effective transit transport strategy UNCTAD's policy has focussed on an integrated planning approach to the transit problems of land-locked developing countries. This approach essentially aims at promoting and consolidating co-operative arrangements between land-locked countries and their transit neighbours. Such arrangements should cover the various aspects of transit transport such as the improvement and development of transit infrastructures and services which involve maintenance of present facilities, their effective utilization and the creation of new facilities, management and training, as well as institutional arrangements. With the very poor economic performance of land-locked developing countries and the severe shortage of foreign exchange availabilities and of domestic resources, these countries continue to fail to meet their requirements for maintaining and improving the operational capability of the existing transit transport facilities.

(ii) Management and training

208. Transit transport facilities can be more effectively utilized by improving management and skills of the personnel involved in transit operations. There is, however, an acute inadequacy of trained manpower in both the land-locked and transit countries to support an efficient management of transit transport operations at all levels. It is therefore necessary that a careful survey be undertaken to identify

(iii) Specific areas for action related to transit infrastructure and services

(a) Road transport

209. Despite the important role the road haulage industry plays in the international transport of land-locked developing countries its efficiency is hampered by a number of factors. The maintenance of the road network is generally of poor standard because of shortage in appropriate technical skills, inadequate supplies of maintenance equipment, facilities and spare parts.

(b) Rail transport

210. Many land-locked developing countries depend on rail transport for the movement of high volume traffic, notably minerals and agricultural products. The railway services are however very inadequate. In some cases extensions to the existing internal network are needed in order to facilitate the movement of commodities from different regions. In a number of instances it is also necessary to make extensions of the rail system from the transit country into the land-locked country in order to avoid the need for transhipments. In other cases a completely new line must be built.

(c) Port and storage facilities

211. Land-locked developing countries require, like other port users, a number of qualities in the sea port, namely; no port congestion and thus no congestion surcharges; adequate berth, handling and storage facilities; facilities adapted to modern shipping and handling technology; minimal losses of cargo through losses, damage and deterioration; rapid transit through the port and reasonable charges for the services provided. Because of unreliability or unavailability of transport facilities between the port and the final destination in the land-locked country and because of time consuming customs and

documentation procedures, land-locked countries face, however, a particular problem. There is a need for adequate storage space and facilities for goods in transit.

(d) Air transport

212. Air transport is an important supplementary mode for alleviating the transit transport problems of land-locked developing countries. Up to now outgoing air freight from the land-locked developing countries has consisted primarily of either perishable goods such as fruits, vegetables, fishery products and flowers or high value goods such as skins or leather, carpets and precious metals. Due to the unreliability of surface transit transport services a number of land-locked developing countries do however on an irregular basis airlift some of their bulkier commodities. The development of air freight operations is however hampered by various obstacles, such as poor runways, lack of airplanes and poor surface distribution systems.

(e) Communications

213. The inadequacy of communication links between various ports and commercial centres in land-locked developing countries and between ports and overseas markets continues to be a major handicap inhibiting the speedy movement of transit cargo.

(f) Insurance and freight forwarding services

214. Insurance costs for transit operations are unusually high because of the loss, damage, deterioration and pilferage which may result from the delays in the movement of transit traffic.

(g) Documentation and procedures

215. As noted, slow and [complex] procedures contribute to a substantial extent to increasing the costs of access for land-locked countries

to and from the sea and to world markets, leading to lower export receipts and higher costs of imports. By impeding a smooth flow of trade and an efficient operation of means of transport, unwieldy procedures and excessive paperwork contribute to the congestion of ports, warehouses and stacking areas.

Restructuring of the economies of land-locked developing countries

216. The restructuring of the pattern of production designed deliberately to reduce the sensitivity to transport costs by promoting import substitution industries producing high-bulk low-value products and developing high-value low-bulk products for export is a measure to which land-locked developing countries should give serious consideration. The over-all import substitution effort will of course be dependent on the availability of domestic resources potentials particularly for such high-bulk low-value commodities like fertilizers and construction materials, and on the capacity to produce at reasonable cost through limiting the import content of local production.

Co-operative arrangements

(i) Regional and sub-regional arrangements

217. A well co-ordinated regional and sub-regional transport planning will not only provide possibilities for alternative transit routes for land-locked developing countries but will also give these countries access to all neighbouring countries and thus lay the foundations for co-operation in various other areas. Regional and sub-regional co-operation arrangements will in fact provide a suitable framework for the land-locked developing countries to restructure their economies, in that such arrangements could, for example, ensure the viability of an import substitution project in a land-locked country by offering a regional market for surplus of domestic consumption. The development of export industries catering for a regional market will also reduce the dependency on overseas markets and the high transport costs involved.

(ii) Conventions

218. There are international conventions which are relevant to transit, however, efforts still have to be made to implement the provisions of such conventions, so as to contribute considerably to removing some of the bottlenecks currently constraining regional transit traffic.

International support measures

219. The response of the international community to the urgent assistance needs of the land-locked developing countries has been diverse. Several major donors who have provided assistance to these countries do not have particular development assistance policies in favour of the land-locked developing countries, although it is generally recognized that these countries do face problems as a result of their geographical location, as has been re-emphasized in this report. Furthermore, the assistance programmes of several donors and insitutions to the land-locked developing countries are also not always addressed to the transit transport bottlenecks. Assistance to land-locked developing countries must be expanded considerably to help alleviate the acute geographic handicaps they face and it should be provided at the most concessional terms.

IV. Action by the conference

220. As mentioned in Conference resolution 123(V), measures to deal with the transit problems of land-locked countries require effective co-operation and close collaboration between land-locked countries and their transit neighbours. Where any study is to be undertaken in any transit country, such study shall be undertaken with the approval or consent of the transit country concerned. Where any programme or action is to be undertaken in or in relation to any transit country, such programme or action will be undertaken with the approval or consent of that transit country. In dealing with the Integrated Planning Approach, the resolution also recognizes the need for financial assistance by

the international community for specific action. Transit-transport infrastructures need to be effectively improved both in land-locked countries and the transit countries. Such financial assistance should be provided by the international community in a manner which fully takes into account the fact that the improvements will be beneficial to both the land-locked and the transit countries.

221. Reiterating what has been stated above and the action points mentioned in Conference resolution 123(V), UNCTAD VI should agree on further specific actions and programmes related to the particular needs and problems of the land-locked developing countries and it should request the international community to provide financial and technical assistance to enable a speedy implementation of such actions and programmes, whose main elements are recapitulated below:

222. Action by the international community

(a) Rehabilitation and preventive maintenance of transit transport facilities in land-locked countries and their transit neighbours including the provision of spare parts, tools and building materials;

(b) Implementation of training programmes for all involved in transit transport operations at all levels from the top management to the middle and low level operators;

(c) Provision of all-weather through-road transport routes linking the main commercial centres in the land-locked countries and the seaports and the provision of vehicles;

(d) Support in the effective implementation of road transit transport agreements between land-locked developing countries and their transit neighbours related to such areas as transit fees, customs procedures, vehicle dimensions, axle loading specifications, the equitable sharing of inter-State traffic, road permits and visas;

(e) Extension of the existing rail system in transit countries into the land-locked developing countries to avoid the need for taansshipments; provision of locomotives, rolling stock and railway marshalling facilities;

(f) Provision of storage facilities both in the ports and the rail terminals in the land-locked country and the provision of adequate berthing and handling facilities;

(g) Assist in harmonizing transit documentation and procedures, technical standards and management practices and in arranging, where appropriate, the shared use of railway wagons and of port terminal facilities, as well as the sharing of capital investment on new physical infrastructure created in transit countries primarily for the use of land-locked developing countries;

(h) Extension and strengthening of runways at airports, provision of adequate navigational aid and cargo handling facilities, improvement of the surface collection and distribution system, training of skilled manpower and the support of sub-regional and regional co-operation arrangements in air freighting operations;

(i) Improvement of communications links between various ports and commercial centres in land-locked countries and between ports and overseas markets;

(j) Support in the assessment of the potentials for restructuring the economies of land-locked developing countries through the promotion of import substitution industries producing high-bulk, low-value products and developing high-value, low-bulk products for export;

(k) Provision of easier access to the markets of developed countries for products of land-locked developing countries;

(l) Support of institutional arrangements within land-locked countries and between them and their transit neighbours to oversee the over-all co-ordination of transit transport planning policy and operations as required;

(m) Support in the preparation and implementation of sub-regional and regional schemes in various aspects of economic activities such as trade, production, development of physical infrstructure and exploitation of energy and other natural resources;

(n) Where the projects are related to, or have a bearing on, transit-transport infrastructure (roads, railways, waterways, ports, etc.) in the transit countries a joint request by the concerned land-locked and transit countries would have to be made for financial and technical assistance. This does not imply any financial or other obligation for the land-locked country and the concerned transit country.

223. Developed countries and developing countries in a position to do should be requested to pledge substantial contributions to the special Fund for land-locked developing countries, which is currently administered by the UNDP in close collaboration with the Secretary-General of UNCTAD.

Review and follow-up

224. UNCTAD, being the main United Nations body which focuses on the problems of land-locked developing countries, the Secretary-General of UNCTAD should hold periodic meetings and/or consultations in order to review the implementation of the programme of specific action in favour of land-locked developing countries. These could conveniently be timed to take place before the debate on land-locked developing countries which take place regularly in the General Assembly.

TRADE RELATIONS AMONG COUNTRIES HAVING DIFFERENT ECONOMIC AND SOCIAL SYSTEMS AND ALL TRADE FLOWS RESULTING THEREFROM [Agenda item 13 (d)]

225. The Socialist countries of Eastern Europe play an important role within the framework of the international trading system. As far back as UNCTAD I, the importance of trade relations between developing countries and the Socialist countries of Eastern Europe, to which the Group attaches great importance, has been generally recognized.

226. Trade between some developing countries and the Socialist countries of Eastern Europe has been increasing reasonably; although, on the basis of available data, trade between Africa and the Socialist countries of Eastern Europe has been increasing slowly. Nevertheless, the Group believes that there is room for the expansion of such trade.

227. Despite the efforts made by the Group, it has not been possible to adopt any resolution on this subject.

228. The Group is concerned at the absence of results despite four years of negotiations.

229. As a result of the above-mentioned negotiations, a consolidated text has been drawn up which cannot, at the present stage, give entire satisfaction to the Group, which wishes to obtain an effective, broad and multilateral contribution by the Socialist countries of Eastern Europe towards their efforts at economic development, diversification of their efforts at economic development, diversification of their trade and intensification of the volume of their exports, particularly as regards non-traditional manufactures and semi-manufactures.

230. In keeping with the developed market-economy countries' commitment to devote 0.7 per cent of their GNP to official development systems, as stipulated by the United Nations in its development decades, the Socialist countries of

Eastern Europe should subscribe clearly and unambiguously to the same provision, and also provide 0.15 percent of their GNP as agreed target to LDCs, which is of decisive importance for the future of the developing countries' relations with the Socialist countries of Eastern Europe.

231. In this connection, it should be noted that a Socialist country of Eastern Europe has recently published figures concerning the financial assistance it extends to developing countries, which is not well known. This is a good omen and gives grounds for thinking that all the Socialist countries may follow suit in future, thus demonstrating the effectiveness of their contribution to the implementation of the relevant provisions of the United Nations Development Decade.

232. There are other areas too where the Group D countries should provide significant assistance. They include :

(a) The inclusion in their development plans of appropriate measures providing for a growing share for imports from developing countries, whatever their political, economic or social systems, by improving their tariff and non-tariff GSP;

(b) The determination of genuine trade opportunities resulting from the multilateral schemes within CMEA, particularly for manufactures and semi-manufactures;

(c) A genuine possibility of participation by developing countries in the activities of agricultural and industrial enterprises created by the Socialist countries with enterprises of other developed countries (tripartite co-operation);

(d) Active participation in the developing countries' development projects by making genuine use of the resources of the Special Fund set up by the International Investment Bank in 1973, improving the conditions for granting loans, and disseminating information about the

the Fund, as widely as possible, to all developing countries. Furthermore, the utilization of the transferable rouble in commercial transactions should be facilitated.

(e) To provide financing from International Investment Bank sources, for national projects directly, or through regional development banks, for promoting the use of local raw materials in their industrialization programmes;

(f) To increase the share of convertible currencies in the total resources earmarked for financial assistance to developing countries;

(g) To adopt appropriate measures to guarantee fair and remunerative prices for developing countries calculated in such a way as to take account of the rise in world inflation;

(h) To reduce interest rates in suppliers credits;

(i) To allow developing countries to repay state loans by exporting manufacturers;

(j) To extend, without discrimination, co-financing to developing countries on bilateral and multilateral basis;

(k) To subscribe clearly, and be committed, to attain the target of 0.7 percent of ODA in accordance with International Development Strategy for the Second United Nations Development Decade and reiterated in the Third United Nations Development Decade. Furthermore, they should fully implement Trade and Development resolution 165 (S-IX) expeditiously and convert all outstanding bilateral official development assistance loans of developing countries into grants, especially for the least developed countries;

(l) To increase their financial contribution to the UNDP in convertible currencies;

(m) To prequest the developed countries to increase their financial contribution to the UNDP and other competent agencies of the UN System for the promotion of trade between the developing countries and the Socialist countries of Eastern Europe;

(n) To consider setting up joint-shipping and airline ventures between the Socialist countries and developing countries particularly by sharing installation and handling costs;

(o) To ensure the training of Africans for the maintenance of equipment acquired from Socialist countries of Eastern Europe.

233. Developing countries should :

(a) Make their export products more competitive;

(b) Should intensify their trade promotion activities by opening trade missions and participating in trade fairs organised by the Socialist countries.

234. UNCTAD should :

(a) Adopt a comprehensive programme on trade and economic relations between developing countries and Socialist countries of Eastern Europe.

(b) In close co-operation with ITC/UNCTAD/GATT and other regional agencies of the United Nations, step up technical assistance to developing countries with a view to enabling them to benefit from trade between the Socialist countries and developing countries.

In this connection, ongoing efforts should be intensified, with the financial assistance of UNDP in order to implement a research, development, and trade promotion, training and information dissemination programme that would benefit developing countries.

235. The Group considers that the work of the secretariat should in future be directed towards operational assistance to developing countries with regard to the identification of as yet unexplored trade opportunities and the means of taking advantage thereof, particularly by means of appropriate advisory and technical assistance services of ITC.

ECONOMIC CO-OPERATION AMONG DEVELOPING COUNTRIES (ECDC) [Agenda Item 13 (e)]

236. Resolution 127(V) reiterates ECDC as a basic component of efforts towards the establishment of the New International Economic Order and as such is based on common interests and co-operation among all States. The resolution also set priority and other areas for ECDC activities in UNCTAD and invited other specialized agencies and organizations of the United Nations system to adopt appropriate support measures to assist in the implementation of activities in this field in response to the initiatives of developing countries taken in the Arusha First Short Medium Term Plan on Global Priorities on Economic Co-operation among Developing Countries.

237. The priority area for ECDC activities in UNCTAD within the context of resolution 127(V) include :

(a) The establishment of a global system of trade preferences among developing countries;

(b) Co-operation among State trading organizations of developing countries;

(c) The establishment of multinational marketing enterprises among developing countries.

238. As regards the first of the above priority area and pursuant to the recommendations made at the Ministerial Meeting of the Group of 77 in September 1981, in New York, a meeting of senior officials was held in Geneva from 19 to 30 July 1982, to draft the text of a Ministerial Declaration launching the GSTP

negotiations. On 8 October 1982 the Ministers for Foreign Affairs of the State members of the Group of 77 adopted such a declaration in which were defined principles, rules and a time-table that would govern the establishment of a global system of trade preferences among developing countries. Work is now under way in the Group of 30, for the preparation of draft proposals on such technical components of the GSTP for submission to the first session of the Negotiating Committee.

239. In accordance with resolution 127 (V), UNCTAD together with the International Trade Centre (UNCTAD/GATT) and the "International centre for Public Enterprises in Developing Countries" (IPCE - Ljublijana, Yugoslavia) organized from 29 March to 2 April, 1982 an international symposium of State Trading Organizations. As a result of the follow-up work on the decisions taken at the symposium, an agreed text of the statutes of an association of STOs has been adopted to be subscribed by interested STOs of developing countries.

240. As regards multilateral marketing enterprises, consultations are still under way with a view to obtaining resources to finance technical assistance to promote the establishment of such enterprises, beginning at the regional level.

241. In addition to the above priority areas are other ECDC activities contained in the Arusha Action Plan which were endorsed by resolution 127(V). These are :

(a) The establishment of multinational production enterprises among developing countries (MPEs);

(b) Strengthening of sub-regional, regional and inter-regional economic integration and co-operation;

(c) Monetary and financial co-operation among developing countries;

(d) Other areas of co-operation such as technology, insurance, shipping and the transit and transport problems of developing land-locked and island countries.

242. The UNCTAD secretariat has initiated a process of consultations with governments of developing countries aimed at identifying opportunities for mutual co-operation for the establishment of MPEs in fields covering fertilizers, rubber products and pulp and paper industry. Data analyses have led to the identification of a large number of specific products in these industrial sectors as well as in chemical products, iron and steel, engineering products and building materials as the most promising areas for the establishment of new capacities on the basis of joint ventures and other types of industrial collaboration arrangements.

243. Sub-regional and regional economic integration and co-operation efforts have got substantial new impulses. Some new groupings and schemes have come into being; others have made substantial headway in implementing their integration and trade liberalization programmes; and some traditional integration groupings are in the process, or have completed a process, of adjusting their instruments to the actual economic conditions of their respective member countries. Comprehensive support and technical assistance has continued to be provided to a range of existing and emerging economic integration and co-operation groupings of developing countries.

244. At the inter-regional level, a number of study tours for the executive heads of secretariats of integration groupings to similar grouping in other developing regions have been arranged. In addition to an intensive exchange of experiences regarding the working of various integration instruments, these study tours have also permitted the identification of opportunities for mutual co-operation among groupings.

245. Certain measures have also been taken in accordance with operative paragraph 11 of resolution 127 (V) to assist in a practical way with geographical diversification and structural adjustment of the pattern of trade of member States of

developing countries by facilitating direct and indirect contacts among businessmen at the inter-regional level. Additionally, studies carried out by ECA and ECLA covering inter-regional co-operation in the field of (a) trade and finance, (b) science and technology and (c) human resources development were the basis of the ECA/ECLA Joint Meeting of Governmental Experts from Africa and Latin America on Economic and Technical Co-operation. In conclusion the meeting recommended to their respective governments, the two Commissions, UNCTAD and international institutions for necessary specific follow-up action.

246. In the meantime also, the secretariats of sub-regional and regional economic integration groupings among developing countries adopted a Comprehensive Programme for Co-operation among themselves. This programme provides for measures to strengthen economic integration, increased technical co-operation and exchange of information; modalities for participation of economic co-operation and integration groupings in inter-regional ECDC programmes; as well as institutional arrangements for implementing this programme and obtaining support for it.

247. The strengthening of existing monetary and financial arrangements and the creation of new ones among developing countries has been a major preoccupation of UNCTAD secretariat in collaboration with the regional economic commissions and several monetary institutions of developing countries. The feasibility of linkages between clearing arrangements of developing countries has been considered at some length by representatives of various clearing payments and arrangements, within the framework of the Co-ordination Committee on Multilateral Payments Arrangements among Developing Countries. This committee observed that the creation of an inter-regional payments arrangements covering all developing countries seemed too ambitious at present. It, however, recognized that scope existed for a more modest approach, consisting of the linking of two or more clearing arrangements in such a way as to preserve fully their autonomy.

248. Within this same framework, representatives of credit arrangements have also examined possible ways of collaboration between regional credit arrangements for balance-of-payments support. They suggested two procedures as most suitable for initiating arrangements for mutual support credit institutions : (a) direct bilateral deposits between such institutions and (b) indirect financial support through investment with international banking entities which could in turn provide financial support to regional credit institutions in need of funds.

249. The UNCTAD Secretariat is at present focussing its activities on the strengthening of existing sub-regional and regional development banks and in co-operation with interested financial institutions, on assisting developing countries in the preparatory work for the establishment of a Bank for Developing Countries.

250. While the above activities concentrated on the expansion and promotion of trade, other equally important related activities such as the transfer of technology, insurance, shipping, and transport problems of developing land-locked and island countries have been handled as part of the wider context of developing countries' endeavours in the areas concerned.

251. Economic co-operation among developing countries is a key element in the strategy of collective self-reliance and an essential instrument in promoting structural changes that could contribute to a balanced and equitable process of global economic development. In order for the developing countries to enhance co-operation with each other's capabilities and meet their development needs it is is important that parallel concrete actions be taken at national, sub-regional and regional levels. Action at national level in the African region ought to include establishing focal points where they do not exist in order to deal with most priority areas.

252. Self-reliance in the context of ECDC is a strategy which places the primary responsibility on the developing countries themselves to continue to mobilise their resources and find effective solutions in support of ECDC activities. Consequently,

the African Group of the Group of 77 calls on developing countries to provide, where and when appropriate, alternative support measures and resources to ECDC, in order to translate the concept of collective self-reliance into action. To that effect developing countries who are more able than others should contribute substantially to ECDC activities.

253. The mandate of UNCTAD in regard to ECDC indicated in resolution 127 (V) requires to be strengthened with increased resources so that UNCTAD can support fully the activities of ECDC.

254. In all the areas of ECDC activities indicated in resolution 127 (V) the African Group of the Group of 77 calls for the support of developed countries, UNCTAD, ITC and other international organization for :

(i) Conducting GSTP negotiations;

(ii) Rapid achievement of the full operational stage of the Trade Information System;

(iii) Implementing the work programme of the Association of State Trading Organizations of Developing Countries (ASTRO), through the provision of training and technical advisory services; the participation in ASTRO's substantive research; and the regular updating of the Handbook of STOs;

(iv) Strengthening of the capacity to promote multinational production enterprises (MPEs) through identification, project preparation, support of negotiations and the elaboration of financial arrangements;

(v) Intensifying of work in the area of multinational marketing enterprises (MMEs), including co-operation in import procurement, particularly, the early convening of sectoral meetings;

(vi) Implementing the Programme for Co-operation among Economic Co-operation and Integration Groupings established by their secretariats including in particular, a research programme on economic integration; programme for sectoral co-operation between groupings; and intensified mutual information and technical co-operation;

(vii) Assisting developing countries in their monetary and financial co-operation efforts, including their pre-feasibility study with respect to a proposed Bank for Developing Countries; payments, clearing and related credit arrangements; multilateral export financing and refinancing initiatives; the analysis of the role of multilateral development finance institutions in ECDC projects; and multilateral guarantee schemes for investments in and among developing countries;

(viii) The establishment of subregional, regional and interregional clearing and payments arrangements;

(ix) Initiating studies and elaborating action-oriented proposals for energy co-operation among developing countries;

(x) Intensifying assistance and elaborating schemes for intensified food co-operation at sub-regional, regional and inter-regional levels, including promotion of mutual supplies of food, rationalization of food imports and co-operation in establishing national or multinational food reserves;

(xi) Increased emphasis on the ECDC dimension of activities in the areas of transfer and development of technology; insurance and re-insurance; transit and transport problems of land-locked and island developing countries; and shipping.

ASSISTANCE TO NATIONAL LIBERATION MOVEMENTS RECOGNIZED BY REGIONAL INTERGOVERNMENTAL ORGANIZATIONS (Agenda item 13 (f))

255. The United Nations Conference on Trade and Development at its fifth session held in Manila in 1979 adopted a resolution 109 (V) on the initiative of the Group of 77 on Assistance to National Liberation Movements recognized by regional intergovernmental organizations. This resolution requested the Secretary-General of UNCTAD, within the context of the International Development Strategy for the Third Development Decade, to initiate studies within the competence of UNCTAD, as regards those peoples and countries in collaboration with their respective National Liberation Movements recognized by regional intergovernmental organizations.

256. Pursuant to this resolution the UNCTAD secretariat prepared two consultant studies (TD/B/869 and Add. 1 and TD/B/870), one on the review of economic conditions of the Palestinian people in the occupied Arab territories, and the other on the review of economic conditions in Namibia and South Africa. These two studies which attempted to provide a review of economic conditions of the Palestinian people in Israeli-occupied territories, and the economic situation in Namibia and South Africa under minority rule, were submitted to the Trade and Development Board at the twenty-third session held in September 1981. While the Group expressed its appreciation to the UNCTAD secretariat for preparing the two studies in compliance with the Conference resoltuion 109 (V), it also considered the need for further in-depth studies, in particular for a more comprehensive and in-depth sectoral survey of the economic conditions of the Palestinian people who are still under foreign rule and that of the Namibian people, resulting from the illegal occupation of Namibia by the racist regime of South Africa.

257. The Group attaches great importance to UNCTAD's assistance to the National Liberation Movements and hence to the implementation of the Trade and Development Board resolutions (TD/B/L.603 and TD/E/L.604) which request the Secretary-General of UNCTAD, within the context of the Development Strategy for the Third Development Decade to prepare a comprehensive and in-depth survey of the state of the economy of the Palestinian people in the occupied

Palestinian territories, and elaborate analysis of the potentials for its development in the various sectors and to formulate proposals for alternative development in collaboration with the PLO, as well as to prepare, in collaboration with SWAPO and in consultation with the relevant United Nations agencies and bodies, and the OAU Liberation Committee, a comprehensive social and economic survey of Namibia along the lines of the study on Zimbabwe (Zimbabwe : "Towards a new order - an economic and social survey" 1980) conducted by UNCTAD as the executive agency and financed by UNDP. In this direction, the United Nations Council for Namibia is urged to collaborate with UNCTAD in the preparation of such study. These resolutions also invited the UNDP to make available to UNCTAD additional resources for preparing these surveys. But the Group notes with regret and deep concern that UNDP has not yet responded positively to this request.

258. The Group affirms its strong support to UNCTAD's assistance to the National Liberation Movements, and in this context expresses its appreciation to the Secretary-General of UNCTAD for initiating studies in compliance with the Conference resolution 109 (V) and the subsequent resolutions adopted by the Trade and Development Board. In this connection, it welcomes the preparation by the UNCTAD secretariat, of a more elaborated study on the state of the economy of the Palestinian people in the occupied territories and longer-term development problems and prospects as a first step towards the preparation of a comprehensive and in-depth survey. However, in view of the urgency which the Group attaches to the completion of the surveys mentioned above, it therefore requests the Secretary-General of UNCTAD to intensify the work in this area in close co-operation with those inter-governmental organizations dealing with national liberation movements. In this context, the Group calls upon the UNDP to attach high priority to the programme of UNCTAD in this area and make available to UNCTAD the necessary additional resources.

259. Towards this end, African countries members of the UNDP Governing Council should exert more pressure through active participation with a view to generating the desired results.

25. Member countries and organizations in position to do so be urged to make contributions to augment the resources to be channelled to UNCTAD and other bodies charged with assisting liberation movements.

INSTITUTIONAL MATTERS (Agenda Item 13 (g)

261. It is concluded that decisions had been taken at the Board level, the Conference and the General Assembly, on the need of a comprehensive organization to deal in an integrated manner with the problems of trade, development and related matters. What remains to be made is a specific follow-up decision.

262. It is therefore recommended that the General Assembly should reiterate :

(a) That the existing institutions however closely co-ordinated their activities and operational procedures may be, would not be capable of discharging the envisioned role of a comprehensive organization to deal with the problems of trade, development and related matters.

(b) That unless such a comprehensive organization comes into being and with the least possible delay, the pressing problems of developing countries would not be dealt with effectively and integrally to the detriment of their efforts towards their development and progress.

263. It is concluded that the resolutions of the Conference in particular 81 (III), 90 (IV) and 114 (V) along with the relevant recommendations of the Ad Hoc Group of Experts and the resolution of the General Assembly on restructuring and the NIEO have recognized the need to strengthen the functioning of UNCTAD in the light of its recognized role as a negotiating forum and as an effective instrument for review and as a major element in the restructuring process.

264. It is thus recommended :

(a) That the General Assembly should adopt a resolution giving specific and clear mandate to the TDB to undertake an in-depth study of the ways and means of bringing into existence a comprehensive international organization to deal, in an integrated manner, with all aspects of trade and development and related matters. In undertaking such a study the Board may adopt the most practicial and effective procedure, not excluding consultants, and as appropriate shall consult and take into account the competence, functions and operations of existing relevant organizations and bodies in the UN system, including regional economic commissions. A substantial report hereon will be submitted to the TDB at the (second) part of its session in 1985.

(b) That pending the final outcome of the above study, the Secretary-General of the UN should be requested to speedily conclude consultations with the Secretary-General of UNCTAD and promptly introduce specific measures to implement previous recommendations contained in various resolutions of the Conference and endorsed by the General Assembly, inter alia;

(1) to grant UNCTAD operational flexibility on budgetary, financial and administrative matters;

(2) for the delegation of commensurate authority to the Secretary-General or the Board on budgetary and operational matters;

(3) the UNCTAD Secretary-General should extend the scope of contacts and consultations, with regional economic commissions and heads of other relevant intergovernmental organizations to avoid duplication and ensure co-ordination as called for in TDB resolution 45 (VII);

(c) That the Conference should decide on the establishment of an appropriate high level consultation machinery in UNCTAD which should meet annually at ministerial level and with a previously agreed agenda;

(d) That the Conference should also take a clear decision clarifying the terms of reference of the Working Party on the Medium-Term Plan and Programme Budget and prescribing the procedures for external and internal evaluation, always keeping in mind, that the Working Party should be an instrument to help facilitate the effective functioning of UNCTAD and its subsidiary bodies, and the implementation of decisions and work programme of UNCTAD;

(e) That there should be a clear understanding that nothing contained in the previous paragraphs above should in any way contradict or impede the achievement of the basic objective for the establishment of a comprehensive organization as envisaged in resolution 1995 (XIX) as amended.

205. Finally, since the in-depth study (mentioned above) would be complex and complicated, and therefore requires ample time to accomplish, the Conference will further consider the item at the seventh session for which the Secretary-General of UNCTAD and the TDB will submit appropriate substantive reports.